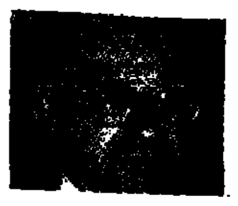

The US economy

Recovery takes root but how tender a shoot?

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The importance of Alan Greenspan

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Why Germany must learn to assimilate its foreigners

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Magic mushrooms

A slice off the old Apple in Silicon Valley

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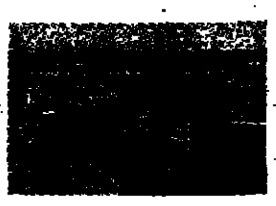


Survey

The pendulum swings back again in Iran

Section III

FINANCIAL TIMES

Europe's Business Newspaper MONDAY FEBRUARY 8 1993 D8523A

Australian PM calls election ahead of time

Australia's prime minister Paul Keating yesterday called a federal election on March 13 after his Labor party lost a state election in Western Australia by a smaller than expected margin.

By choosing to go to the electorate three months earlier than he has to, Mr Keating hopes to capitalise on Labor's rise in popularity since he became prime minister in December 1991. **Page 12; Observer, Page 11; Australian bonds, Page 16**

Daf: Dutch economic affairs minister Koos Andriessen has expressed his support for plans to unbundle the truck manufacturer, salvaging the Dutch core operations and transferring UK plants to a separate new unit. **Page 13**

Suspect surrenders: Silvano Larini, fugitive Italian architect sought for months by Milan magistrates in connection with the country's political corruption scandal, gave himself up and was believed to be under interrogation.

Spain's hint on rates: The Spanish government has hinted that official interest rates in the country may fall in the next few days following the reduction in German rates last week. **Page 2**

Tennis star Arthur Ashe dies

Arthur Ashe, who won the Wimbledon men's title in 1975, died in New York of pneumonia resulting from Aids. He was 49. Ashe used the celebrity status he won on the tennis court to fight racism in sport. A heart attack forced him to retire in 1979 and he was infected with the Aids virus from tainted blood he received as he recovered from heart surgery.

Labour rethink mooted: John Smith, leader of the opposition UK Labour party, cleared the ground for its objectives to be reworked by projecting the party as a non-ideological champion of ordinary citizens' interests. **Page 5**

Investcorp, Bahraini-financed international investment bank which controls businesses in the US and Europe, pushed up its after-tax profit by 20.2 per cent to $62.7m in 1992. **Page 13**

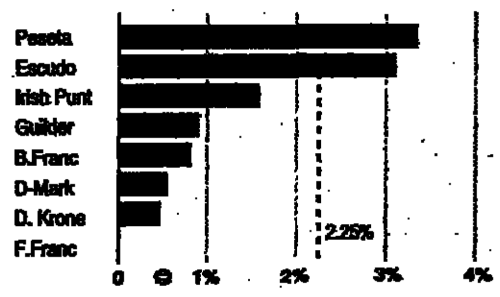
Close Belgian vote: Belgium's parliament has narrowly approved wide-ranging reforms to transform the country into a federal state and devolve even more powers to its regions. **Page 2**

Charterhouse: The Royal Bank of Scotland is expected this week to announce the sale of its merchant banking subsidiary for about £235m ($338m) to two European banks. **Page 13**

Palestinians shot: Seven Palestinians were shot dead in the Israeli occupied territories at the weekend, as violence continued to undermine Middle East peace efforts. **Page 4**

European Monetary System: The European exchange rate mechanism grid shows the extent to which tensions have eased since the Bundesbank cut its officially posted interest rates on Thursday. There is only a 1 percentage point differential between the strongest and weakest currencies in the hard core of the system – the D-Mark, French franc, Danish krone and Benelux currencies. The Danish krone touched its floors against three ERM currencies before the Bundesbank rate cut. But on Friday it was trading around its central parity against the D-Mark of DKr3.814. **Currencies, Page 23**

EMS: Grid February 5, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Hyundai chief charged: Chung Ju-yung, founder of the Hyundai business group, has been indicted on charges of illegal campaign funding connected with his failed candidacy in last December's South Korean presidential election. **Page 4**

Banco Santander: The Spanish bank's chairman, Emilio Botin, plans to step up its strategy of international expansion, with the aim of increasing net profits earned abroad to 50 per cent of the group's total. **Page 14**

Cypriot poll: Greek Cypriots voted in the first round of a presidential election that amounts to a referendum on proposals for reuniting the island's Greek and Turkish communities. **Page 2**

Red Cross workers killed: A landmine killed three Somali Red Cross workers and three passengers riding in their truck in breakaway northern Somalia on Friday, the International Committee of the Red Cross reported.

Chinese students turn from Marxism to business

By Tony Walker in Beijing

THE People's University of China is abandoning courses in Marxism in favour of business studies.

The Beijing-based university, bowing to the pressures of China's economic reforms, is introducing courses in such capitalist pursuits as real estate management and marketing.

Some 14 new business subjects will be made available at the university, established by the Communist party to train young revolutionaries before the People's Republic was founded in 1949.

According to China's Business Weekly, the new subjects will replace 17 courses related to communist dogma that have died through lack of student interest.

China's Community Party School, the main centre for training high-level party cadres, is also joining in by announcing that for the first time it will begin teaching China's leaders about stock market operations.

This coincides with an explosion of interest throughout China as people, starved of investment opportunities for so long, seek better returns for their savings.

Party school courses in the rudiments of capital markets also come at a time when China's State Council (cabinet) is considering a new securities law to help regulate the country's growing equities markets in such places as the Shenzen special economic zone in South China and in Shanghai. The Communist party newspaper, People's Daily, said reform of the party school's curriculum was necessary to deal with practical developments after calls last year by Mr Deng Xiaoping, China's senior leader, for swifter market reforms. Deng's call helped prompt an explosion of economic activity throughout the country with annual growth rates in some places exceeding 12 per cent. This rapid growth is causing disquiet and has led to calls for a slowdown to prevent the economy overheating.

The People's University, a hotbed of Red Guard activity after Mao Zedong launched the Cultural Revolution in 1966, has been finding it increasingly hard to attract students to its outmoded disciplines. Bright young Chinese, who would have fought to gain entry to the People's University, now stream south to make their fortunes in the new economic zones, or drift towards institutions offering more business-related courses. Revealingly, the People's University is establishing a department of national economic management to replace the planned economy department.

European steelmakers willing to discuss cuts

Brussels offers to spend £700m on shutdown plan

By Lionel Barber in Brussels

EUROPE'S steel industry has indicated it is willing to discuss new far-reaching cuts in capacity as part of a future EC rescue plan, according to a report ordered by the European Commission.

The report by Mr Fernand Braun, the EC's special steel envoy, shows that the deepening recession and mounting losses have forced steel producers to raise estimates of possible capacity cuts well beyond those set out just a month ago.

Mr Braun's report will form the starting-point for discussions between the Commission and EC industry ministers, who later this month must decide how much political, financial and commercial support to extend to EC steel producers that are facing their worst crisis in 10 years.

The Commission has proposed spending more than £700m ($1bn) on helping steelmakers shut down excess capacity, but much depends on the credibility of the industry's commitment to joining an industry-wide restructuring exercise led by Brussels.

After more than three months of talks with around 70 managing directors of EC steel producers, Mr Braun has extracted information which adds up to "potential" and "probable" cuts in capacity of around 17m tonnes in crude steel and around 11m tonnes in rolled products.

These figures come on top of firm industry pledges to reduce capacity by around 8.5m tonnes of crude steel and 6.6m tonnes of rolled steel which appeared in an interim report which Mr Braun sent to the Commission last month. At least 50,000 jobs are likely to go in the industry's restructuring.

Page 2

■ Joblessness rising in EC

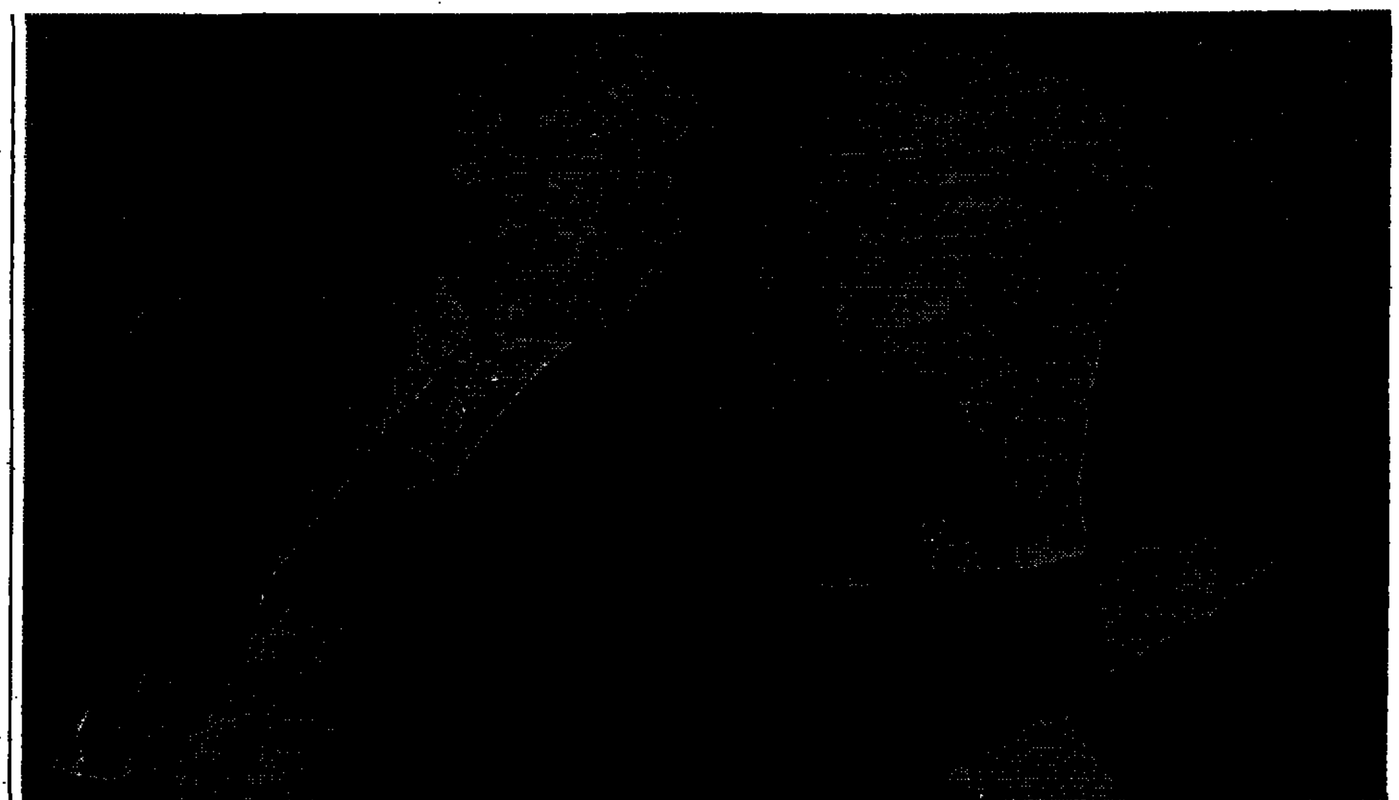
The interim report was criticised within the industry because it failed to secure actual agreements from steelmakers to reduce some of the 30m tonnes of production overcapacity in the EC. Mr Braun is subsequently believed to have persuaded steelmakers to be more explicit about their restructuring plans.

These figures are based on discussions within the industry and the likely prospects that steelmakers face little hope of an upturn in demand in 1993, 1994 or possibly even 1995 – following a fall in steel prices in Europe of 30 per cent over the past three years.

Mr Braun's report was delivered late last week to a restricted group of officials in Brussels, including Mr Martin Bangemann, industry commissioner, and Mr Karel Van Miert, EC competition commissioner.

Mr Bangemann will present his own response to the Braun report within the next two weeks. He is expected to set out the frame-

Continued on Page 12



US secretary of defence Les Aspin (right) talks with Nato secretary-general Manfred Wörner in Munich yesterday. Mr Aspin gave the alliance's annual security conference an assurance that troop cut plans by the Clinton administration would not undermine Washington's commitment to Europe.

Nation still awaits administration, Page 2; Aspin reassures allies over commitment to Nato, Page 12

Japan signals firmer stance on trade

By Charles Leadbeater and Michiyo Nakamoto in Tokyo

JAPAN is ready to take a much firmer stance in trade talks with the US if the new Clinton administration insists on an industry-by-industry approach to cutting Tokyo's $43bn trade surplus with the US.

The tougher line, spelt out by a senior official at the Ministry of International Trade and Industry at the weekend, could signal growing friction with the US, where several members of the administration's economic team favour a sectoral approach to opening up the Japanese market.

Mr Sozaburo Okamatsu, director general of Miti's international trade policy bureau and one of Japan's most senior trade negotiators, said the country wanted a more equal partnership with the US. The two countries had to address the trade issue in the context of wider concerns, such as stimulating world economic growth.

"We completely reject the sort of approach to set some market share for imports into Japan. We do not want to proceed down that road," he said. Japan wanted a more macro-economic approach.

This conflicts with recent remarks by Ms Laura Tyson, chairwoman of President Bill Clinton's council of economic advisers in favour of sectoral talks on the surplus.

If the US wanted to propose micro-economic talks, Japan would co-operate, but it was not the route preferred by Tokyo and it would be embarked upon with little enthusiasm.

Mr Okamatsu also spelt out earlier threats that Japan would retaliate against any unilateral trade sanctions imposed under the Super 301 provisions of the US 1988 trade act. A bill proposing the revival of Super 301, a modification of Section 301 of an earlier trade act, was presented to the US Congress last week, as well as a bill to raise sharply the tariff on minivan imports.

Mr Okamatsu said Japan would first seek a ruling from the General Agreement on Tariffs and Trade, the world trade body, on any Super 301 measures against its exporters. If Gatt ruled in Japan's favour, Japan would consider withdrawing tax and tariff concessions on US imports into Japan.

Japan's global trade surplus has grown rapidly in the past two years, largely because the slowdown in its economy has sharply reduced demand for imports. The global surplus surged by 37.6 per cent last year to $107.06bn.

Mr Okamatsu said Japan might propose setting up a bipartisan panel of experts to address the macro-economic causes of the US trade deficit.

Braced for trade friction, Page 3

US rebuffs EC on Gatt, Page 12

Reichmann to advise Wall Street investor on property

By Martin Dickson in New York

MR Paul Reichmann, the man at the centre of the world's most spectacular property company collapse, is to advise Mr George Soros, one of the world's most successful money managers, on the real estate market as the two join forces to invest in north American commercial property.

Mr Soros, a Hungarian-born Wall Street investor, made more than $1bn (£600m) speculating against sterling on "Black Wednesday" last autumn.

Toronto-based Mr Reichmann built Olympia & York into the world's biggest property developer in the 1970s and 1980s, only to see its main Canadian business file for bankruptcy court protection from creditors last May. Canary Wharf, O&Y's development in London's Docklands, has been in the care of administrators since then.

The deal represents a remarkable vote of confidence in Mr Reichmann, who was praised by Mr Soros yesterday as "one of the most astute and visionary figures in real estate investment".

Observer ....Page 11

The Soros-Reichmann partnership, to be formally announced today, follows last Friday's approval by an Ontario court for O&Y to emerge from bankruptcy protection, albeit as a shadow of its former self.

Mr Reichmann, who will have no executive relationship with the ongoing O&Y, is setting up a new company, Reichmann International, which will provide advisory services on property matters to Soros Fund Management, Mr Soros' private investment management firm. This already has in-house property experts.

Mr Soros is establishing a new fund, Quantum Realty, which plans to raise up to $525m to invest in property, with up to another $130m available from Soros-related coinvestors. Mr Soros and Mr Reichmann, as the representative of the Reichmann family, will jointly contribute $75m-$100m to Quantum Realty.

Much of the remainder seems likely to come from investors in Mr Soros' existing Netherlands Antilles-based funds, who have the option to plough back more than $1bn of 1992 fund profits into new Soros investment vehicles.

The deal is also significant because of the interest Mr Soros is displaying in the north American property market, which has been severely depressed for two years because of over-building in the 1980s. Mr Soros said now was a time of "great opportunity to begin to assemble a prime portfolio of commercial real estate at advantageous prices".

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr80	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3500	Nigeria	Naira20	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr6.60	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
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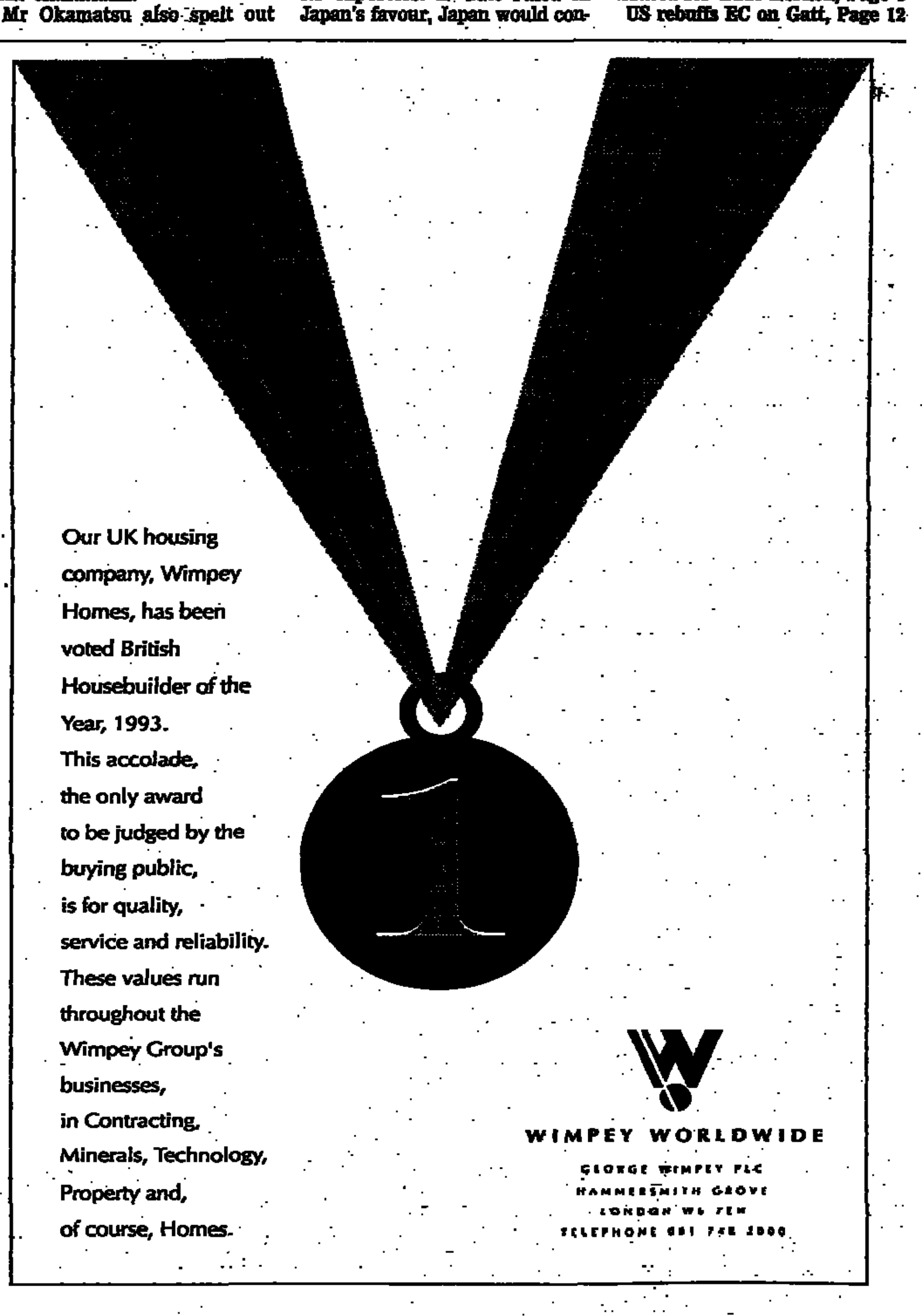


مكتبة الأصل

German relief flights halted after coming under fire

GERMANY will halt all relief flights to Sarajevo until further notice because one of its airplanes was shot at over Croatia yesterday, according to the Defence Ministry, Ariane Genillard writes from Bonn.

Mr Volker Rühe, defence minister, *will consider resuming aid flights* only after German experts, who flew yesterday to the Croatian capital Zagreb, concluded their investigation, Mr Jorg-Jost Schattenberg, the ministry spokesman, said.

A C-160 Transsan flying to Sarajevo from Zagreb was shot at over the Croatian town of Karlovac but managed to land safely.

One crew member was injured but is now out of danger after being operated on in a military airport in Zagreb.

Mr Schattenberg said the UN High *Commissioner for Refugees* had decided that no relief flights would be conducted out of Zagreb today but that they would instead fly out of the coastal city of Split in southern Croatia.

Relief flights to the beseiged city of Sarajevo were temporarily stopped last September and November after three western aircraft were shot at.

Laura Silber, in Zagreb, adds: Croatia is calling for Nato forces to back up the 14,000-strong UN Protection Force in disputed Serb enclaves of Croatia, whose one-year mandate expires on *February 20.*

A Croatian document issued on February 3 states: "Croatia suggests that in the near future UN forces on the territory of the republic of Croatia should be assisted by Nato naval and air forces, whose major task should be to provide air cover and essential and logistical support.

"That will supply Unprofor with the strong military capability and authority."

The proposals reflect Croatia's exasperation with its failure to gain control over more than one-quarter of *Croatian territory.*

Serb militias have refused to disband, in violation of the UN plan. They have blocked the return of refugees, while continuing to drive out non-Serbs under the noses of UN peacekeepers.

But the revised plan also reveals Croatia's backing of a military option – rather than a political solution – following its first military offensive across UN lines.

Western diplomats dismissed as unrealistic the proposal for the restoration within seven months of Croat *government control over the Serb*-held territory.

As 3.6m Croats were due to cast their ballots in municipal elections, Croatian and Serb rebel forces yesterday exchanged artillery and rocket fire in the Dalmatian hinterland near Zadar, the Adriatic port.

Bosnia mediators hope for US backing

Washington now appears to favour a negotiated solution. Robert Mauthner in New York and Quentin Peel in Munich report

INTERNATIONAL mediators working for a peace settlement in Bosnia are heartened by signals from Washington that the new US administration may be prepared to back a modified version of their plan rather than rejecting it altogether.

Having criticised the plan drawn up by Mr Cyrus Vance, representing the United Nations, and Lord Owen, the European Community's representative, for supposedly failing to guarantee the Bosnian Moslems' rights, President Bill Clinton is due to announce the US's own proposals this week.

However, the mediators believe there is now much more common ground between them and the US than at first appeared. They are particularly relieved by indications that Washington appears to have abandoned any idea of direct military intervention in Bosnia and has come round to a negotiated solution, albeit one that could be backed up by force if necessary. The US policy rethink was "going in an encouraging direction", a British official said yesterday.

One of the main reservations about the Vance-Owen plan expressed in Washington, other than that it "rewards" the Bosnian Serbs for their policy of ethnic cleansing, is that even if it is signed by all the warring parties, there are not sufficient guarantees that it will be properly implemented.

That reservation has been taken on board by the mediators, who would welcome suggestions from the US on how the implementation of the plan, particularly the control of heavy weapons, could be given more teeth. In his talks with the mediators over the week-end, Mr Haris Silajdzic, the Bosnian Moslem foreign minister, again underlined the need for an effective weapons control system.

Among the proposals under discussion, both at the UN in New York and in Washington, are the use of air power to destroy artillery and other heavy weapons that any of the warring parties refuse to place under UN supervision. Such operations could be organised by Nato's air command, although formally under the UN umbrella. It is also clear that, if the US plan is to be taken seriously, it would have to be backed up by the promise of ground troops to help in the peacekeeping and peace enforcement operations.

One of the main criticisms of US policy on the Bosnian conflict voiced at the UN is that it has been big on words and short on concrete contributions to peacekeeping operations.

The use of Nato as a surrogate for the UN would be designed to meet traditional American objections to placing US troops under UN command.

Mr Les Aspin, US secretary of defence, confirmed yesterday at the annual Munich security conference in Germany that the US believed Nato had a role to play.

"Europe and the alliance are not secure if we fail to bring the full force of our influence to bear in contributing to a restoration of peace," he said.

Another proposal reportedly being discussed is an international tribunal to try war crimes in the former Yugoslavia, a move which would be welcomed by the mediators.

When Lord Owen first made such a proposal at the meeting of the enlarged steering committee of the Yugoslav peace conference in Geneva last December, none of the 32 foreign ministers present formally endorsed it.

Before submitting their plan to the Security Council today, the mediators attempted to persuade, without success, one or two of the warring parties to give up to the Bosnian Moslems some of the territory allocated to them under the plan to divide the country into 10 semi-autonomous provinces. The Moslems, for their part, continued to reject the proposed map, in the knowledge that they could count on the US administration's support.

In anticipation of the announcement by the US of its proposals for a Bosnian peace settlement, the Security Council's meeting today will take the form of informal consultations. Apart from the US, all other permanent members of the Council (Russia, China, Britain and France) support the Vance-Owen plan. But among the non-permanent members, three Islamic states, Pakistan, Morocco and Djibouti, are opposed.

A Sarajevo Bosnian mourns his wife, killed in shelling three days ago

More cautious approach by new EC environment commissioner

By Bronwen Maddox in London and David Gardner in Brussels

"CONTROLLING carbon dioxide is a very long-term project – it will certainly not be finished by the end of the year. Beyond that it is hard to guess what happens," says Mr Ioannis Paleokrassas, the new EC environment commissioner.

Mr Paleokrassas describes this judgment as "realistic", but it is likely to be controversial. Proposals for a combined carbon and energy tax to combat the threat of global warming are among the most ambitious and well-publicised of EC environmental policies. There is also a view that the appointment of the former Greek finance minister is a signal of downgrading the importance of environmental issues within the European Community.

While he rejects that view, his cautious approach contrasts with that of his best-known predecessor, Mr Carlo Ripa di Meana, who was credited with putting environment policy on the EC map.

The commission is looking at ways of rebalancing the proposed carbon and energy tax so it falls more heavily on transport and less on energy generation than early versions.

However, the main obstacle the proposals face is the doubt whether other industrialised countries will take similar steps, although Mr Paleokrassas is "encouraged" by statements from the new US administration and from a recent high-level Japanese visit to Brussels. Because of the difficulties, he says he would be happy to see a long-term place for nuclear power, which does not emit carbon dioxide, along with greater use of natural gas.

He acknowledges too some of the problems of enforcing the 200-odd environmental directives enthusiastically passed by Brussels in the past two decades. The new standards on drinking and bathing water are proving particularly expensive for some countries to meet: UK water companies say that around half of their present £45bn ($68bn) investment programme is prompted by the EC rules.

To help poorer countries comply he wants to turn to the new cohesion fund created by the Maastricht treaty, intended to help Spain, Ireland, Portugal and Greece to fill in missing "links" in European transport networks and to meet EC environmental standards. However, those countries have so far shown more interest in using the money to build roads – a further environmental headache, as transport emissions are already the fastest growing type of air pollution.

He is resigned to the environment getting the smaller share of the cohesion fund: "If 30 per cent [of the fund] went purely to environment I would be happy." Even that share – which some believe is unlikely – is a small sum: only Ecu5bn ($6.2bn) spread over seven years.

He is optimistic, however, about some of the lower-profile EC projects such as eco-labelling and eco-auditing, arguing that "these make it profitable for industry to promote the environment", and that eventually "environmental businesses may provide a stimulus to growth".

Nation awaits an administration

By George Graham in Washington

THREE months after winning the US election, President Bill Clinton is still struggling in his attempts to install an administration in Washington.

The elimination of Judge Kimba Wood on Friday night as a candidate for the post of attorney general has left the Justice Department – arguably one of the federal departments most in need of renewed leadership – rudderless.

And although all of Mr Clinton's other cabinet secretaries have won confirmation from the Senate and started work at their departments, only three of the 14 deputy secretaries have been confirmed – and these, at State, Treasury and Veterans' Affairs, are the only deputies selected by Mr Clinton and announced at the same time as their cabinet superiors.

At the departments of Agriculture, Energy, Health and Human Services, Interior and Justice, no deputy secretary has even been nominated.

Candidates for these positions, as well as appointees who have already been confirmed, will now face additional scrutiny over whether they ever employed an illegal alien in their households, or neglected to pay the appropriate social security taxes – an obligation for an employee paid for than $50 in a quarter.

Commerce Secretary Ron Brown acknowledged yesterday that he had failed to pay social security taxes for a cleaner, and two candidates for governor of New Jersey have been torpedoed by the "nanny question", which seems likely to replace youthful marijuana smoking as the most fashionable test for political fitness.

Vice-President Al Gore, trade representative Mickey Kantor and Texas Senator Phil Gramm, a likely candidate for the Republican presidential nomination in 1996, all denied yesterday they had any problems with domestic help.

New US administrations are always beset in their early months with tales of disarray as they attempt to fill the 9,100 federal positions open to political appointees, including 600-800 posts with significant policy-making roles.

It is no surprise that the Democrats, returning to power after 12 years out of office, have faced the same problems.

This is little consolation, however, for the businesses, agencies, foreign governments and citizens who have to deal with an administration operating on autopilot.

Greek Cypriots go to polls

By Kerin Hope in Nicosia

GREEK Cypriots voted yesterday in the first round of a presidential election that amounts to a referendum on United Nations proposals for reuniting the Greek and Turkish communities on Cyprus. But with none of the candidates likely to win an outright majority, the election will be decided next Sunday in a second ballot between the two front runners.

Mr George Vassiliou, the incumbent who helped negotiate the UN "set of ideas", confronts a strong challenge from Mr Glafcos Clerides, a veteran right-wing political leader. Mr Clerides distanced himself from the UN discussions in the run-up to the elections, arguing that the proposals would prove unworkable in practice.

However, Mr Vassiliou, running as an independent with support from the island's still powerful Communist party, denies having given away too much at the UN.

The third contender, Mr Paschalis Paschalides, a political newcomer backed both by the Socialist and Centre parties as well as the influential Orthodox church, trails well behind in the opinion polls. He denounces the "set of ideas" as handing too much to the Turkish Cypriots.

The proposals follow earlier UN plans for reuniting Cyprus as a federated state with Greeks and Turks living in separate zones. But the Greek Cypriots have two main fears: that they would not be able to secure the return of all Greek-owned property in the Turkish zone in the north of the island, occupied in 1974 by Turkish troops; and that the Turkish Cypriot minority would be able to block the political process in a federated system.

Joblessness rising in EC

By Emma Tucker, Economics Staff

UNEMPLOYMENT has risen in most regions of Europe, but the most striking increases have been in areas of Spain and southern England.

Eurostat, the European Community's statistical office, said rising unemployment in Spain, Greece, Ireland and the UK were the main forces behind the overall rise in EC unemployment.

The figures, which measure the increase in unemployment in the year to April 1992, take no account of the recent grave deterioration in employment levels across the Community.

Unemployment in the EC rose from 8.5 per cent in April 1991 to 9.4 per cent in April 1992. The areas worst affected were Campania, Basilicata and Sicily in southern Italy and Andalucia, Extremadura, Ceuta y Melilla and the Canary Islands in Spain. In these regions the jobless total was more than 20 per cent.

It was below 5 per cent in southern Germany, parts of northern Italy – Lombardia, Trentino-Alto Adige, Veneto and Emilia Romagna – and Portugal. Luxembourg recorded the lowest rate of unemployment.

For the community as a whole, female unemployment rose by 11.5 per cent, compared with 8 per cent for men. But female unemployment was lower than the male rate in Hamburg, and every part of the UK other than the North of Scotland.

Regional differences were most marked for the under-25s. In some regions of Germany the rate was 2-3 per cent, while in many Spanish and Italian regions it was over 30 per cent.

The figures came from the EC Labour Force Survey.

Italy reduces banks' reserve requirements

By Haig Simonian in Milan

THE Italian government has lowered the proportion of funds commercial banks have to deposit with the Bank of Italy, to try to reduce the country's high borrowing costs.

However, the decision to cut obligatory reserve requirements was greeted cautiously by bankers at the weekend, amid warnings that interest rates would not come down immediately.

The move lowers to an average 17.5 per cent from 22.5 per cent the proportion of deposits and short-term certificates of deposit commercial banks have to place with the central bank. The reserve requirement is one of the highest in the western world, and has often been blamed for contributing to Italy's high interest rates and low bank profits.

The move, long sought by bankers, follows last week's 0.5 percentage point cut to 11.5 per cent in the Bank of Italy's discount rate, and is a further response to growing recessionary pressures in the economy. As unemployment rises, industrialists have been demanding lower interest rates to stop output being stifled. The decision to cut reserve requirements, under discussion for some time, follows a similar move by Germany last month.

The cut in the reserve requirement will create about L15,000bn (£6.7bn) in additional liquidity for commercial banks. A further L5,000bn should be freed by mid-March as a result of a reduction to 10 per cent from 22.5 per cent in the proportion of funds which banks raise from certificates of deposit of over 18 months' maturity and place with the Bank of Italy.

However, Mr Tancredi Bianchi, the chairman of the Italian Bankers' Association, warned that no cut in lending rates would take place for some weeks. Other bankers, who have cut lending rates by between 0.5 and 1 point in response to the discount rate reduction, said their room for manoeuvre was restricted by the falling growth rates for deposits and by the Bank of Italy's decision to cut by half a point the interest rates its pays on the reserve placed with it.

Madrid hints at fall in interest rates this week

By Peter Bruce in Madrid

THE Spanish government has hinted that official interest rates in the country may fall in the next few days following the reduction in German interest rates last week.

Mr Carlos Solchaga, finance minister, said at the weekend that while it was up to the Bank of Spain to decide whether to trim its official intervention rate from 13.25 per cent this week, sharp falls in Spanish interbank rates after the German cuts meant the market was already discounting a Spanish cut.

The government, which in this election year is under pressure to stimulate an economic recovery, would welcome any help from the Bank of Spain.

Mr Solchaga announced at the weekend that the economy had grown just 1.2 per cent last year. The minister believes that, at best, gross domestic product will grow 1 per cent in 1993.

Mr Solchaga said unemployment had risen from 16.3 per cent to 18.2 per cent last year, badly missing the target contained in Spain's plan to converge its economy with leading countries of the European Community. The plan had aimed at GDP growth of 3 per cent for 1992.

Adding further evidence to fears that Spain may actually have entered a recession in the last few months of 1992, Mr Solchaga said fixed capital formation had fallen 2.7 per cent for the year, rather than rising 3.2 per cent rise as initially forecast. Fixed capital formation fell rapidly in the second half of 1992, by 4.1 per cent.

Despite triumphant sniping from political critics, however, the government believes it has a real chance of ending this year with a recovery under way. Economic stagnation and the early implementation of tax increases in 1992 should hold prices well in check this year, making significant interest rate cuts possible.

The government has also taken some heart from figures showing it managed to hold the general government deficit to 4.4 per cent of GDP last year.

Tom Burns *on conservative opposition leader Jose Maria Aznar*

Spain's new generation seeks power

CONSERVATIVE opposition leader, Mr Jose Maria Aznar, 39, dismisses Socialist Prime Minister Mr Felipe González, 50 next month, as an old man.

"It is my generation's turn," says Mr Aznar, who was re-elected leader of the opposition Partido Popular yesterday at its keynote national convention in Madrid on Friday.

Months ago such remarks by the slightly built Mr Aznar, who will lead his party into elections before the year is out, prompted derision. It was unthinkable that the personable Mr González, in power since 1982 and a European statesman of stature, could be challenged by the likes of him.

But with the economy stagnant and the ruling Socialists buffeted by corruption scandals and divided internally, Spanish voters are less enthusiastic about Mr González than they were.

The latest opinion poll puts Mr Aznar's party just 3.5 points behind the Socialists, with 33.2 per cent of the vote against 36.7 per cent. In the 1989 elections, the PP trailed the Socialists by 14 points.

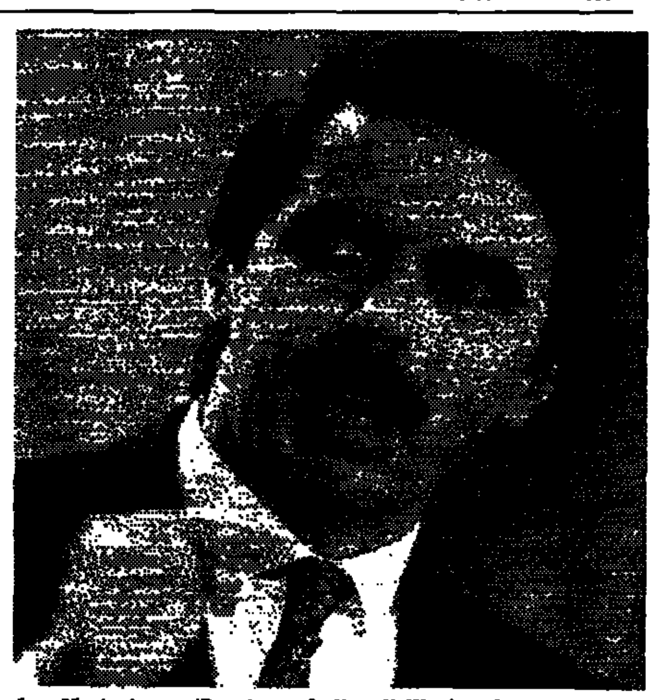
Mr Aznar, who was led the PP since April 1990, says that the weekend's congress in Madrid will mark the "transformation of the centre-right in Spain".

In less than three years the patriarchs of the Spanish right, most of whom shared uncomfortable Francoist backgrounds, have been pensioned off, and Mr Aznar runs the PP with a circle of loyalists in their 30s.

Mr Aznar has jettisoned the paternalism and the liking for state intervention which marked the Franco period and which formed the basis of conservative thinking when democracy returned.

Mr Aznar says the party has undergone an "ideological renovation" and been brought round to market-driven economics. He believes Spain's centre-right has fashioned a modern programme for change and market-oriented policies will help pull the economy round.

The 2,800 party delegates will this weekend endorse policy calling for deregulation and privatisation. Previous conservative electioneering was largely confined to calls for law and order and to warnings that national unity was threatened by separatists.



Jose Maria Aznar: 'People are feeling disillusioned'

The PP's emphasis on the economy and its pledges to reduce interest rates come at a when lay-offs and receiverships dominate the news. Mr Aznar, a tax inspector by profession, is also promising a tax freeze before an overhaul of the taxation system, with changes to capital gains tax and death duties among others.

Once seen as the representatives of the old order and encased in nostalgia, the conservatives under Mr Aznar are bidding to take the banner of change and modernity from the Socialists.

"PP voters are mostly young, independent and urban dwellers," says Mr Aznar. He charges that the Socialists are backed by the rural areas, by those with little access to information and by those dependent on the state such as pensioners, the unemployed and public-sector workers.

"The socialists cannot modernise Spain with that sort of constituency."

General elections are not likely until October, but Mr Aznar has been campaigning for months. "With every trip I become more convinced that Spain is on the threshold of an important change.

"People are feeling very low and disillusioned, they are calling out for something different."

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Hong Kong attacks EC on dumping

By David Dodwell

A EUROPEAN Community investigation into alleged dumping by Hong Kong computer disc manufacturers cannot be substantiated, and should be terminated, argues a Hong Kong government study submitted to the EC today.

The Hong Kong challenge comes at a time of mounting concern over a "contagion" of dumping actions, as companies pressed by recession, and lacking protection behind high tariff walls, see anti-dumping laws as powerful weapons against foreign competitors.

Recent EC dumping actions against East European steelmakers, and US actions against steel imports and threatened actions against vehicle imports, have raised fears of international trade conflict.

The Hong Kong study challenges the dumping complaint, lodged four months ago by the Committee of European Diskette Manufacturers (Diskma), saying the calculations of supposed dumping are flawed; that there is no evidence that European diskette makers have been in any way injured by Hong Kong imports; and that Diskma is not representative of European industry, accounting for 38 per cent of EC output.

The Diskma complaint was brought by Beltadisk and Computer Support, both from Italy, Boeder of Germany, Rhone-Poulenc of France and Sentinel of Belgium.

The Hong Kong report challenges the use of costs in Japan and China to "construct" the costs of Hong Kong manufacturers. It says that, by using this data but varying the selection, results could show anything from a dumping margin of 86 per cent and overpricing of 30 per cent.

It complains that the investigation has had a "severe harassment effect on trade," cutting exports which peaked at HK$196m ($25.5m) in 1991 to about HK$120m last year. In contrast, EC output of diskettes has grown 11-fold, from 6.4m units in 1987 to 74.4m units in 1991.

Japan ready to come out fighting

Michiyo Nakamoto and Charles Leadbeater on Tokyo's attitude to its trade surplus

JAPAN is braced for another potentially grim season of trade friction with the US. But this time there will be a difference: Japan seems set to come out fighting.

There is a growing feeling among senior Japanese trade officials that the issue of Japan's trade surplus with the US needs a fundamentally different approach. It is an approach which could well be at odds with that of the Clinton administration.

The US and Japan have a long history of trade talks to draw lessons from – from the initial measures to open the Japanese market to leather and tobacco imports in the late 1970s to the elaborate Structural Impediments Initiative in the late 1980s.

The lesson drawn by some senior officials in the Clinton administration, such as Ms Laura Tyson, the chairwoman of the Council of Economic Advisers, is that there should be a renewed drive to open up specific Japanese industries to competition. The Japanese want to go in the opposite direction. Japanese officials reject an industry-by-industry approach. Instead they want to focus on the macro-economic causes of the trade imbalance, primarily Japan's sluggish demand for imports and the US fiscal deficit.

This difference is not new. But what is unusual is the assertiveness with which Japanese officials are prepared to defend it. As director-general of the Ministry of International Trade and Industry's international trade policy bureau, Mr Sozaburo Okamatsu is one of the most senior bureaucrats to express publicly Japan's unhappiness with the market-specific approach favoured by the US.

He argues that an attempt to correct the trade imbalance by insisting that US companies ought to attain a certain share of specific markets in Japan is not the right solution.If the US insisted on such an approach, the Japanese would talk, but with little enthusiasm. Mr Okamatsu said: "We completely reject that sort of approach to set some market share. We do not want to proceed down that road." He is careful not to label the new Clinton administration "protectionist". The imposition of US anti-dumping duties on steel imports, he says, was a procedure rather than a sign of US policy thinking. With only a handful of key US posts filled, it was too early to tell what the administration's approach will be.

Nevertheless, as protectionist pressures mount on the Clinton administration, and with legislation before Congress to raise import duties on minivans and revive the Super 301 trade sanctions, Mr Okamatsu admits: "Right now we have great concerns about the new administration in the US."

Japan's response to such measures would be more assertive than in the past, Mr Okamatsu indicated. If Super 301 was invoked to impose uniltaeral sanctions against Japanese exports to the US, Japan would retaliate. Japan would first seek a Gatt ruling on the Super 301 provisions and, if Gatt ruled in its favour, would withdraw tariff and tax concessions to US imports.

'Right now we have great concerns about the new administration in the US' – senior Japanese trade policy official

As an alternative, Japan will propose a primarily macro-economic approach, with four main components:

- Later this year the Japanese government will introduce an emergency spending package to stimulate the economy and boost imports.
- Japan will help foreign businesses to promote imports more vigorously.
- The government is planning to ease the recycling of Japan's export earnings through higher overseas development aid and support for investment overseas by Japanese companies. The target will be more than $50bn over the next five years.
- Persuade the US to address its macro-economic position, particularly its fiscal deficit. "We have asked the US, via the SII talks, to change the fiscal position." Mr Okamatsu said.

"But the situation is getting worse and worse, and so it is impossible to affect the trade imbalance."

He addes: "Resolution of the trade issue should be through mutual efforts." Although Mr Okamatsu is too polite to say so outright, the underlying message is that, so far, it has been a one-sided affair.

Certainly, US-Japan trade relations have appeared to consist primarily of fire-fighting exercises. "The Japanese government is tired of asking the same things from the US that it has been asking for three or four years. In that sense we want a new approach," Mr Okamatsu says. To break the sense of deadlock, Japan was likely to suggest that the long-running SII talks should be revamped. "They became much more detailed than we expected," he says. "We wanted them to focus over larger structural issues."

Mr Okamatsu favours setting up a bi-partisan panel of experts to address the trade imbalance. Only if that were to conclude that importers into Japan faced obstacles in specific sectors would there be a case for more detailed talks.

Japan also wants its talks with the US on the bilateral trade relationship to take place in the context of discussions on global issues such as measures to stimulate the world economy.

It may be wishful thinking for the Japanese to hope the US will adopt the kind of approach Japan is likely to propose. Tokyo's new found assertiveness over trade policy is certainly an attempt to influence the shaping of the Clinton administration's policy. But it could be more than simply a signal. If the US does propose an industry-by-industry approach to trade talks, this could be met with a much firmer response than before.

Belgium opts for federal state

BELGIUM'S parliament has approved wide-ranging reforms to transform the country into a federal state and devolve more powers to its regions, writes Andrew Hill in Brussels.

But the vote – a majority of only two – is unlikely to end the acrimonious debate about whether constitutional reform heralds a split between Flemish-speaking Flanders and francophone Wallonia. The vote rewrites the first article of the constitution for the first time since Belgian independence in 1830. Subject to approval in the upper parliamentary chamber, it now reads: "Belgium is a federal state."

The package of reforms, many which still have to be approved, will devolve responsibility for agriculture and foreign trade to the regions, which include Brussels.

Mr Jean-Luc Dehaene, Belgium's prime minister and a Flemish Christian Democrat, denied that a positive vote would precipitate the disintegration of Belgium. "I say clearly that this reform of the state does not lead to separatism but is truly based on federalism," he said.

Expectant hush in barrier-free Community

Information is awaited on its progress, writes Andrew Hill

SINGLE MARKET WATCH

IT is just over a month since the European Community abolished most of its internal barriers to free movement of goods, people, capital and services, and the single market is quiet – too quiet. "At the moment it is a kingdom of silence, but there will come a point when we will be overwhelmed by good or maybe bad news," said Mr Raniero Vanni d'Archirafi, the new internal market commissioner, last week.

Mr Vanni d'Archirafi meets EC internal market ministers today in Brussels, for the first time since the Community passed its January 1 deadline for a barrier-free Europe. Everyone will be asking each other the same question: how is it going?

In theory, the proposed legislative work is almost done. Of the 282 measures in the original 1985 single market programme, 18 have not been agreed. As at the end of last month, member states had transferred an average of 72 per cent of the adopted measures into national law.

In practice, it is difficult to tell how the market is working. Specific complaints – particularly about continuing passport checks at internal borders – have been notified to Brussels.

But national officials responsible for the single market had their first "consultative" meeting last Tuesday and concluded there was no evidence that free circulation of goods, services and capital was being impeded.

That said, Mr Vanni d'Archirafi is eager to dispel the impression that Brussels will be pursuing a hands-off policy towards the single market during the first half of this year.

Mr Vanni d'Archirafi, 61, a former senior Italian diplomat, was clearly taken aback by reaction to his first press conference last month, when he suggested there should be an "armistice or truce" on the single market.

His comments gave the impression there would be a three or four-month "grace period" in which the Commission would turn a blind eye to infringements of the market's new rules, and even ignore governments which dragged their feet on implementation of single market directives.

As such, the new commissioner's stance was roundly criticised by the European business community, which is relying on the Commission to ensure that governments transpose EC directives into national law and enforce them.

But as Mr Vanni d'Archirafi explained last week, this was not the signal he wanted to send at all. "As far as transposition is concerned there will be no mercy," he said.

The commissioner says the first months of the market will be spent gathering information, and preparing what he describes as a "master plan" for enacting some of last year's Sutherland committee recommendations on how to make the single market work.

The real test will come when genuine cross-border complaints start to feed back through the Community network. Mr Peter Sutherland, the former commissioner who headed the committee on implementation of the market, has warned that member states may try to abuse the principle of subsidiarity, by claiming that in certain areas of the single market Brussels is tinkering with the responsibilities of national governments.

But Mr Vanni d'Archirafi says Brussels will have no hesitation in following up abuse of market rules. "The Commission has to be guardian of the construction [of the single market] – and here I'm referring to transposition of directives in particular," he says. "The goal is not to be deliberately soft or strict; the goal is to make sure the single market works."

Vanni d'Archirafi: talks today

National representatives are already trying to consolidate a network of contact points to help people transmit difficulties with the new area of free movement to the relevant authorities.

Only when it comes to passport checks is the new commissioner likely to take a more cautious line. Mr Vanni d'Archirafi says he is sympathetic to the problems all member states now have with lifting controls on travellers within the EC, especially at airports. He points out that architects of the single market never forecast the increase in immigration from eastern Europe when, in 1985 and 1986, they drafted legislation to abolish passport checks at internal borders by January 1 1993.

Mr Vanni d'Archirafi wants to avoid confrontation with member states, but he also wants to persuade them to meet "deadlines" of the end of June for the abolition of all controls on internal land borders, and the end of December for ports and airports. As for the intransigence of Britain, which disputes the Commission's interpretation of the law and wants to retain passport checks, Mr Vanni d'Archirafi is reluctant to inflame the situation. "I will try not to let the division [between the UK and continental member states] become greater," he says.

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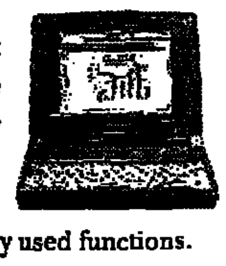

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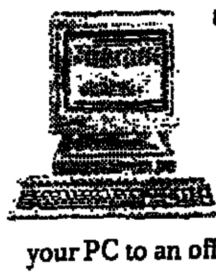

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Chung faces charges over election funds

By John Burton in Seoul

MR Chung Ju-yung, founder of the Hyundai business group, has been indicted on charges of illegal campaign funding and other alleged violations connected with his failed candidacy in last December's South Korean presidential election.

The indictment could force Mr Chung to leave politics if he is convicted, and may weaken or dissolve the United People's party (UPP), the opposition group he established one year ago today.

Prosecutors have conducted a highly-publicised investigation of Mr Chung's election activities in what is considered a government warning to the nation's large conglomerates against direct involvement in politics.

The 77-year-old Mr Chung is the first Korean industrial leader to enter politics and challenge the government's tight control over business.

The indictment is the culmination of an 18-month feud between the government and Mr Chung over his political activities.

Mr Chung's presidential campaign is alleged to have illegally received more than Won50bn (£42.7m) from Hyundai Heavy Industries (HHI), the group's shipbuilding unit.

The government began investigating Mr Chung shortly before the presidential election on December 19 and the allegation contributed to his poor electoral performance, in which he finished third to Mr Kim Young-sam of the ruling Democratic Liberal party.

Mr Chung is also charged with forcing Hyundai executives to work for the UPP and making slanderous statements against Mr Kim. He was also accused of beginning his campaign before the official period – campaigning is not permitted until 28 days before the election.

Meanwhile, prosecutors are investigating whether HHI has also bribed government officials and bank executives.

Both the UPP and the main opposition Democratic party charge that the government investigation against Mr Chung is biased as prosecutors are ignoring complaints about malpractices by the ruling party.

The indictment coincides with growing dissension within the UPP caused by the party's poor showing.

Bhutto's husband bailed

MR Asif Ali Zardari, the husband of Pakistan's opposition leader Ms Benazir Bhutto, has been released on bail after spending over two years in prison for charges including aiding an attempted kidnap, writes Farhan Bokhari in Lahore.

Mr Zardari's release is widely viewed as part of an opposition-government rapprochement in Pakistan, although both sides deny such moves.

Other recent indications included a government-backed nomination for Ms Bhutto to chair the parliamentary committee on foreign relations.

Less than three months ago, Ms Bhutto led a public campaign to remove prime minister Mr Nawaz Sharif's government on allegations of corruption.

Although she failed, many politicians conceded that Mr Sharif's effort to liberalise the economy and was suffering from an image of a politically unstable country.

France returns to Indochina stage

Mitterrand's visit is aimed at restarting and opening up the Vietnamese economy

PRESIDENT François Mitterrand plans to combine business in Vietnam and diplomacy in Cambodia during a five-day trip which will, according to his spokesman, mark France's "return to the Indochina stage." Mr Mitterrand will tomorrow arrive in Hanoi for the first visit by a French president, and the first by a western head of state, to a united Vietnam.

Perhaps the most eye-catching occasion of his trip will be Wednesday's visit to Dien Bien Phu, where French forces – now back to help the United Nations keep peace in neighbouring Cambodia – surrendered to the Vietnamese after a long battle in 1954. The visit to Dien Bien Phu threatened to raise tricky protocol issues when it appeared that Mr Mitterrand's hosts envisaged the French president paying homage to a Vietnamese war memorial there.

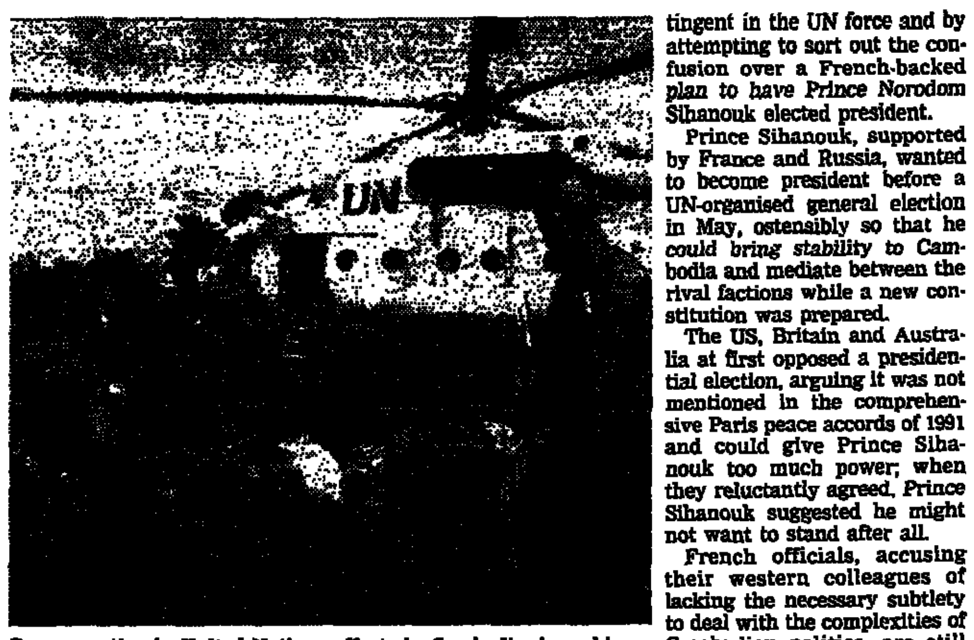
Such an action would have raised hackles in France, and the Elysée has since made clear that Mr Mitterrand's motive in visiting the battlefield is historical and apolitical. In any case, the president is unveiling a memorial to the French veterans of Indochina in France a week later. His main aim in Vietnam will be to help "restart and open up the economy", according to his spokesman, Mr Jean Musitelli. France is already the third largest investor in Vietnam after Taiwan and Hong Kong.

Paris' intention to increase economic links will be underlined by the presence of Mr Serge Tchuruk, president of the Total oil company, and

It will be the first visit by a western head of state to a united Vietnam. David Buchan in Paris and Victor Mallet in Bangkok report

other French businessmen and bankers. Last week EMC, a French mining and chemical company, said it had won permission to build a $8m (£5.2m) cargo terminal on the Thi Vai river near Ho Chi Minh City.

France rapidly increased bilateral grants to Vietnam to FFr185m (£22.8m) last year, according to Mr Musitelli, who also stressed Paris' support for Vietnam's re-entry into the IMF. France would continue to press the US to be "more realistic" and lift its veto on Vietnam's IMF application. Vietnam's communist government, cast adrift by Moscow after the collapse of the Soviet Union, is anxious to win new allies in



France, active in United Nations efforts in Cambodia, is seeking to extend its Indochinese economic ties

Europe and the US to counterbalance the commercial power of Japan and to help restrain Chinese expansionism.

The Vietnamese and Cambodians, with no illusions about France's international influence, are much less sentimental about the legacy of French colonialism in Indochina. Baguettes are still served in Hanoi and Phnom Penh cafés, but English rather than French is the language of choice for businessmen and politicians.

The focus of Mr Mitterrand's trip to Cambodia, which begins on Thursday, will be to support the peace process both by visiting the 2,800 French army contingent in the UN force and by attempting to sort out the confusion over a French-backed plan to have Prince Norodom Sihanouk elected president.

Prince Sihanouk, supported by France and Russia, wanted to become president before a UN-organised general election in May, ostensibly so that he could bring stability to Cambodia and mediate between the rival factions while a new constitution was prepared.

The US, Britain and Australia at first opposed a presidential election, arguing it was not mentioned in the comprehensive Paris peace accords of 1991 and could give Prince Sihanouk too much power; when they reluctantly agreed, Prince Sihanouk suggested he might not want to stand after all.

French officials, accusing their western colleagues of lacking the necessary subtlety to deal with the complexities of Cambodian politics, are still backing the prince. "For France, Prince Sihanouk is the best [presidential] candidate, the man most likely to unite Cambodians and prepare a future coalition government," the Elysée official said. France co-chairs with Japan an international committee to mobilise aid to Cambodia, and on a bilateral basis gave FFr63m (£7.8m) in aid last year.

Malaysia broadens markets

By Alex Nicoll, Asia Editor

MALAYSIAN investment in China totalled about M$2bn (£526m) last year as industry sought to broaden its markets and reduce dependence on the US, Europe and Japan, Mr Anwar Ibrahim, Malaysia's finance minister, said at the weekend.

He said in London he was not concerned that a substantial flow of investment into China might undermine investment in Malaysia's development. Falling domestic investment was the result of a strategy to expand into new markets, including China, Vietnam and Africa.

Mr Anwar said: "I don't think this a source of concern or major worry. Is it being done at the expense of investment domestically? The answer is no. Does it actually affect in a small way investments locally? Yes. But we have not taken any measures to curb or discourage investments overseas."

In common with Chinese communities in other Asian countries, ethnic Chinese companies and businessmen are looking to participate in the rapid growth of China's economy.

"We encourage this trend. We want penetration into new markets. We want to continue to have effective trading arrangements with China," Mr Anwar said. China was not competing for the type of investment which Malaysia was now seeking, Mr Anwar said.

Mr Anwar said that he hoped to bring down inflation this year to 4 per cent from 4.7 per cent last year, and that he would be comfortable with 7 per cent economic growth as this would help to contain inflation. But spending on infastructure could push growth nearer to recent levels of 8 to 9 per cent.

US oil group in Yemen warned of risk to staff

By Mark Nicholson in Cairo and Eric Watkins in Sanaa

A SPATE of kidnappings and hijacks in Yemen has prompted the oil minister to ask the biggest foreign oil company in the country to close down operations for the safety of its foreign staff.

Mr Saleh Abu Bakr bin Hussainoun told executives of Hunt Oil, the US oil group which pumps 170,000 barrels a day of Yemen's 200,000 b/d output, that increasing lawlessness among some Yemeni tribes meant he could no longer guarantee the safety of its 300 expatriate employees.

The oil minister's request follows an outbreak of gunpoint hold-ups of expatriates in Sanaa, the Yemeni capital, the kidnapping and release of a Japanese expatriate and the abduction on January 24 of Mr Mike Schmitz, a Canadian employee of Sterling Air Services.

However Hunt Oil said it would continue operating.

Mr Schmitz is still being held by a Yemeni tribe, apparently as a bargaining chip in a land dispute with the government.

Israeli anxiety at rising casualties

By Hugh Carnegy in Jerusalem

SEVEN Palestinians were shot dead and more than 70 wounded in the Israeli occupied territories at the weekend, the latest convulsion in a spate of violence that has undermined efforts to regenerate Middle East peace talks.

Left-wing ministers in the Labour-led coalition yesterday expressed concern over a sharp rise in casualties in the West Bank and Gaza Strip. Six people were shot dead by troops in Gaza on Friday and Saturday, three when a carload of armed men was intercepted and three in protests that followed.

One Palestinian was killed in Jerusalem last night. They brought to 79 the number of Palestinians killed since the beginning of October last year and 38 since the expulsion of more than 400 alleged Islamic militants in mid-December.

The figures include 10 children under the age of 15. Thirteen Israelis have died in the same period.

Palestinian leaders have refused to accept a US-brokered Israeli compromise allowing 101 of the deportees to return as sufficient for resumption of peace talks.

They are demanding the return of all deportees and an end to deportations. Mr Yitzhak Rabin, the prime minister, reiterated yesterday that Israel would retain the use of expulsions "in case of extraordinary situations". The army brought five ill deportees back to Israel yesterday from a Lebanese hospital.

● Two Palestinian reporters working for Reuters were arrested by Israeli soldiers in Gaza yesterday while covering unrest.

Officials said the two, repeatedly arrested in the past, were suspected of incitement, but their colleagues alleged harassment.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	8.4	6.62	6.51	n.a.
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.7	5.12	5.35	0.84
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55
1988	4.3	5.2	7.65	8.84	3.61	8.4	11.2	4.43	4.77	0.54
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48
1990	3.7	5.3	8.06	8.54	3.60	2.6	11.7	7.62	6.91	0.65
1991	5.9	3.3	5.87	7.85	3.21	5.2	3.6	7.21	6.37	0.75
1992	12.4	2.1	3.75	7.00	2.95	4.6	0.6	4.28	5.25	1.00
1st qtr.1992	10.9	2.8	4.17	7.29	2.90	7.5	1.7	5.02	5.49	0.88
2nd qtr.1992	11.7	1.8	3.95	7.37	2.97	5.7	1.2	4.56	5.63	1.04
3rd qtr.1992	12.6	1.7	3.35	6.61	2.96	3.2	−0.0	3.90	5.10	1.06
4th qtr.1992	14.3	1.9	3.55	6.73	2.94	2.0	−0.5	3.67	4.78	1.03
February 1992	11.2	2.9	4.11	7.33	2.90	7.4	1.6	5.05	5.53	0.87
March	11.4	2.5	4.29	7.52	2.94	7.5	1.8	4.84	5.51	0.93
April	11.9	2.1	4.04	7.47	2.97	7.0	1.6	4.59	5.68	1.06
May	12.1	1.9	3.88	7.39	2.95	6.9	1.1	4.59	5.66	1.00
June	11.1	1.4	3.92	7.26	3.00	3.2	0.9	4.49	5.55	1.06
July	11.8	1.5	3.44	6.84	2.96	2.9	0.2	4.19	5.26	1.10
August	12.4	1.7	3.37	6.59	2.95	3.7	0.3	3.75	5.03	1.12
September	13.5	1.9	3.24	6.41	2.98	2.9	−0.5	3.74	4.99	0.98
October	14.4	2.2	3.32	6.58	3.02	2.5	−0.8	3.71	4.90	1.04
November	14.4	2.0	3.66	6.86	2.94	2.5	−0.5	3.65	4.76	1.05
December	14.2	1.6	3.67	6.75	2.87	1.1	−0.5	3.64	4.70	1.00
January 1993			3.26	6.59	2.87			3.59	4.55	1.03

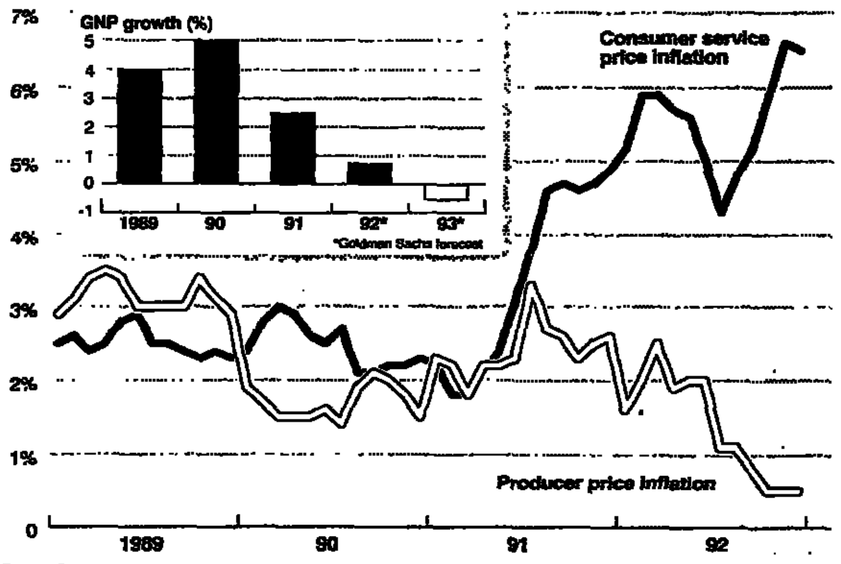
	GERMANY					FRANCE				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.3	5.1	5.45	6.94	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	10.0	8.3	4.64	5.90	1.79	6.9	6.8	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.14	2.21	4.1	10.0	8.26	9.46	2.75
1988	9.7	6.4	4.34	6.46	2.61	4.0	8.6	7.94	9.08	3.69
1989	6.3	5.7	7.11	6.94	2.22	8.0	9.5	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.71	2.11	3.8	9.0	10.32	9.92	3.19
1991	5.1	5.6	9.25	8.44	2.38	−4.6	2.7	9.62	9.03	3.58
1992	7.1	8.3	9.52	7.77	2.45			10.36	8.57	3.55
1st qtr.1992	4.3	6.6	9.62	7.91	2.31	−1.4	4.1	10.05	8.48	3.40
2nd qtr.1992	6.4	7.9	9.76	7.96	2.26	−1.7	5.1	10.04	8.66	3.39
3rd qtr.1992	6.6	8.8	9.72	7.88	2.53	−1.0	4.9	10.58	8.90	3.67
4th qtr.1992	10.7	9.6	8.98	7.34	2.67			10.77	8.26	3.72
February 1992	4.2	6.5	9.61	7.88	2.30	-2.2	3.6	10.06	8.44	3.40
March	4.9	7.0	9.70	7.94	2.25	−1.4	4.1	10.12	8.58	3.31
April	6.9	7.5	9.75	7.94	2.26	−1.5	4.5	10.04	8.67	3.37
May	5.8	7.8	9.79	7.96	2.26	1.7	5.7	9.96	8.58	3.33
June	6.6	8.2	9.75	7.97	2.27	−1.7	5.1	10.11	8.73	3.47
July	5.5	8.3	9.78	8.01	2.37	−0.7	5.2	10.23	8.90	3.69
August	6.1	8.6	9.88	7.99	2.60	−1.6	5.0	10.39	9.06	3.71
September	8.6	9.3	9.50	7.65	2.62	−1.0	4.9	11.12	8.75	3.61
October	8.4	10.5	8.95	7.38	2.72	1.3	6.4	11.12	8.43	3.83
November	11.2	9.7	8.94	7.36	2.66	−0.2	6.1	9.77	8.14	3.70
December	12.5	8.8	9.03	7.29	2.64			11.35	8.20	3.64
January 1993			8.60	7.10	2.58			12.16	7.93	3.58

	ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	10.5	8.2	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	7.8	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	7.1	8.2	12.41	11.61	2.46	5.9	17.5	13.96	10.30	4.36
1990	9.3	9.1	11.98	11.87	2.84	5.3	16.1	14.82	11.53	5.07
1991	7.3	8.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.97
1992	6.8	7.5	13.86	13.29	3.83	2.3	5.3	9.73	9.09	4.91
1st qtr.1992	8.9	8.1	12.04	12.65	3.40	2.2	6.0	10.61	9.50	5.00
2nd qtr.1992	9.7	9.3	12.58	12.82	3.43	2.0	5.3	10.28	9.21	4.78
3rd qtr.1992	6.0	6.9	16.14	13.83	4.02	2.3	5.3	10.39	9.21	5.21
4th qtr.1992	3.0	5.9	14.64	13.84	3.68	2.8	4.5	7.68	8.45	4.84
1992 February	8.1	7.8	12.04	12.62	3.31	2.2	5.9	10.44	9.34	4.94
March	7.4	7.4	12.10	12.59	3.49	2.3	5.8	10.67	9.66	5.04
April	9.8	9.3	12.24	12.71	3.51	2.3	5.6	10.68	9.41	4.91
May	9.4	9.0	12.24	12.60	3.45	2.5	5.1	10.13	9.06	4.61
June	10.0	9.6	13.23	13.14	3.34	1.3	5.3	10.03	9.15	4.82
July	7.5	8.0	15.36	13.65	3.78	2.5	5.6	10.21	9.08	5.15
August	5.4	6.5	15.27	13.71	3.94	2.4	5.5	10.43	9.37	5.33
September	5.1	6.2	17.82	14.14	4.35	2.1	4.8	10.54	9.18	5.14
October	5.6	7.4	15.53	14.36	3.95	2.4	5.4	8.49	8.69	4.83
November	2.6	5.9	14.53	13.48	3.48	3.0	4.5	7.32	8.27	4.60
December	1.0	4.5	13.90	13.66	3.61	3.0	3.7	7.24	8.38	4.49
1993 January			12.73	13.46	3.26	4.1		7.04	8.33	4.46

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. **Interest rates:** short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.

Germany battles with stagflation

Annual percentage change



Source: Datastream. All data refer to western Germany

Bundesbank displays its economic juggling skills

THE BUNDESBANK'S struggle to balance its desire to achieve domestic price stability against the rest of Europe's need for lower interest rates will remain the most important political story in Europe this year. But the Bundesbank is also engaged in a domestic economic balancing act which may well determine the fate of the French franc and the length and depth of Germany's looming recession.

The Bundesbank's tight monetary policy, whether or not it makes sense for Germany, has undoubtedly been inappropriate for almost every other member of the European exchange rate mechanism over the past year. But the Bundesbank has, in fact, been quietly bowing to the pressure over the past six months, despite the hawkish noises from Mr Helmut Schlesinger another members of the bank's governing council. Short-term German interest rates have fallen by well over a percentage point from their peak last autumn. The main function of last week's headline-grabbing cuts in the discount and Lombard rates was to raise the public profile of the easing of policy that has already occured over the last few months.

Whether or not they also signal that the Bundesbank is bowing to international pressure will depend on whether the Bundesbank eases money market rates faster over the coming months than domestic conditions warrant. But, for France, even a faster rate of easing may not be enough. The French problem, as the table demonstrates, is not simply that German interest rates are too high but that the expectation of a Franc devaluation has caused the risk premium in French short-term interest rates over German rates to triple since last summer.

Yet the Bundesbank is not only under pressure from abroad. As the plight of German industry has deepened, the Bundesbank has come under increasing pressure from within Germany to lower German interest rates and thus reverse the D-Mark appreciation of the past year. German industry has been in recession since the middle of last year. West German industrial output fell by 0.8 per cent last year, but by 5.1 per cent in November and December compared with the same months in 1991. The weak performance of Germany's export industries constrained the growth of gross national product to 0.8 per cent last year and GNP is expected to fall this year by up to 1 per cent.

Yet while industry has been suffering, the Bundesbank has been struggling with powerful inflationary pressures within western Germany. Gross domestic product grew twice as fast as GNP last year and the annual inflation rate has risen to 4.4 per cent in January. The reason for this German stagflation – falling output combined with rising inflation – is illustrated in the main chart.

Sluggish international demand and the appreciation of the D-Mark have prevented German industry from raising the price of industrial goods. The annual rate of producer prices inflation has been falling steadily throughout the last two years to less than ½ a per cent by the end of last year. But the costs that industry face have risen much faster. Average wages rose by 6 per cent in 1991 and by 5.4 per cent last year as the combination of consumer spending and the growing fiscal deficit, 4.1 per cent of GNP in 1992, have pushed service price inflation to over 6 per cent a year.

The chart explains the Bundesbank's dilemma. Easing monetary policy now, and allowing the D-Mark to depreciate, would fuel these domestic inflationary pressures by pushing up producer price inflation. But the longer interest rates must stay high to bring the domestic inflationary pressures under control, the deeper the industrial recession. All which explains why the Bundesbank has been so keen for the federal government to bring public spending under control; and why last week's 3 per cent pay increase for German public sector workers, announced on the same day as German headline interest rates fell, was much the more important economic news for Europe.

Edward Balls

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NEWS: UK

Smith wants party to be non-ideological champion of ordinary people

Labour leader signals radical policy changes

By Ivo Dawnay, Political Correspondent

MR JOHN SMITH, leader of the opposition Labour party, yesterday cleared the ground for Labour's objectives to be reworked by projecting the party as a non-ideological champion of ordinary citizens' interests.

In a keynote speech to Labour's local government conference at Bournemouth on the south coast, Mr Smith avoided a confrontation with the party's trade union elite. At the same time he signalled that policy dogmas such as state ownership and redistributive taxation were no longer central to its aims.

"What we need is a new political approach for a new political era. A new politics that puts people first, that rejects dogma and embraces practical, common-sense solutions," he said.

Senior party officials said Mr Smith's 37-minute address was intended to be the springboard for a wide-ranging assault on long-established "shibboleths" that will begin in a full-day shadow cabinet meeting in London next Monday. It will be followed by as many as seven further addresses by Mr Smith before the end of May.

His goal is to capture the political centre-ground by portraying Labour as the advocate of "pragmatic and practical" change and the Conservatives as the party of entrenched elites and vested interests.

Mr Gordon Brown, the shadow chancellor, will press home the attack in a speech on vested interests this week. Later this month he is due to flesh out Mr Smith's pledge of a "framework for investment". This is intended to use regulation to improve competition, set standards and enforce workplace rights as a substitute for state ownership.

Throughout his speech, Mr Smith avoided references to socialism and equality. Instead he emphasised government's duty to devise a long-term strategy to invest in skills and training as "the building blocks for individual and national prosperity".

He promised to provide an "infrastructure of opportunity" to allow people to raise their earning power. "Our task is to stand again and again for the frustrated ambitions of the majority of our people."

His frequent references to the need for change will be taken as a tacit endorsement of Labour's "moderniser" faction at the expense of party traditionalists. Earlier yesterday, Mr John Edmonds, influential leader of the GMB general union, appeared to endorse the strategy by welcoming "the age of ambition" as representing the decent demands of ordinary people. However, Mr Tony Benn, the veteran Labour MP, later derided Mr Smith's approach as "the repudiation of socialism".

John Smith: his goal is to capture the political centre-ground

Several commentators detected close parallels between Mr Smith's rhetoric and that of President Bill Clinton in last year's US election campaign.

In one passage in his speech, the Labour leader appeared to offer a critique of past party policy as a "failure of dogma". He said: "The political debate in Britain has been bedevilled for too long by simplistic argument and false choices. The truth is that we need both dynamic markets and active government."

Endorsing a Bill of Rights, a Freedom of Information Act, and further consumer protection measures, he said the goal of democratic socialism was a "radical theory of citizenship in which access by all to the power of knowledge is the foundation of liberty".

Virgin to press BA for deal over 'dirty tricks'

By Michael Cassell, Business Correspondent

BRITISH Airways and Virgin Atlantic are likely today to renew talks in London aimed at striking a peace deal in the wake of BA's "dirty tricks" campaign against its competitor.

Both airlines are anxious to draw a line under the affair and Virgin yesterday maintained pressure for a quick agreement. Virgin said it wanted successful discussions with BA but that it still intended to take action against the airline if a deal was not agreed this week.

Sir Colin Marshall, BA's executive chairman, said that he wanted the talks ended amicably and "the sooner the better".

On Friday, Lord King dismissed suggestions that he had stepped down early as chairman because of the dirty tricks affair. He left the post six months earlier than expected.

Without a deal, Virgin threatens to begin anti-trust action in the US, as well as laying allegations before the European Commission that BA has abused its dominant market position.

In addition, the airline says it might instigate court action under the Data Protection Act or pursue claims of breach of copyright.

In three meetings held so far between the two sides, Virgin has pushed home claims that BA's activities inflicted upon it serious commercial damage running into tens of millions of pounds.

Virgin has not publicly specified its demands, although it is understood to have tabled a series of proposals, ranging from cash compensation, to the use of BA aircraft servicing facilities and a legally binding agreement preventing abuse of computerised reservation information.

The allocation of take-off and landing "slots" at London's Heathrow airport is also thought to be on the agenda.

Although it is understood that some progress towards agreement has been made, there is some surprise in the Virgin camp at the time the talks are taking and it appears determined not to see them drag on beyond this week.

Virgin is represented by Mr Sid Pennington, Virgin Atlantic managing director and Mr Trevor Abbott, financial adviser to Mr Richard Branson, Virgin chairman. Mr Robert Ayling, who on Friday was appointed BA group managing director is representing BA.

If a deal is reached, it is likely that Mr Branson, who is in the United States for part of this week, will return for a meeting with Sir Colin to finalise an agreement.

Cut-price tunnel rail link to be considered

By Richard Tomkins, Transport Correspondent

MINISTERS have ordered British Rail to consider a cut-price option for building the long-delayed Channel tunnel rail link that could cut the cost from £4.5bn to less than £2bn.

If adopted, the option would mean abandoning plans for a new terminal at London King's Cross and will seal the fate of the £3.4bn King's Cross redevelopment project – the biggest inner city regeneration project in Europe.

It would also mean bringing the trains into London along the surface-level north London line which cuts a swathe through the residential areas of Hackney, Dalston, Canonbury and Islington.

Transport ministers have been considering the latest options for building the 68-mile railway line between London and the Channel tunnel since they were submitted by BR early last month. BR is believed to have brought the cost of the scheme down from the expected £4.5bn to between £2.5bn and £3bn by designing a route that goes up and down the hills between London and the Channel tunnel instead of through them. This will require more powerful trains to cope with the steeper gradients.

Still to be decided, however, is the acutely controversial issue of how the trains will get through the suburbs of London from Stratford in the east to the proposed international terminal at King's Cross.

Details of the proposed route are expected to be published towards the end of next month, followed by a public consultation. If legislation is introduced this autumn, the line could open in 2000.

Government staffing rises despite quest to cut costs

By John Willman, Public Policy Editor

THE progress Mrs Margaret Thatcher made in cutting the number of government employees is being reversed under Mr John Major, prime minister. The number is rising again, despite the search for public expenditure cuts.

There were more than 565,000 government employees or civil servants in April 1992, according to recently released Treasury statistics, an increase of almost 11,500 on the previous year.

The increase was even more marked among clerical government employees, whose numbers rose by more than 14,000. The number of clerical civil servants has returned to the level of 1984, during a period when the manual civil service has almost halved in size.

Ms Ann Robinson, head of the Policy Unit at the Institute of Directors, said that the figures reflected the government's failure to get to grips with the size of the public services payroll.

"If the chancellor is going to reduce public spending to curb the budget deficit, he has no alternative but to look at the number of people employed in the public services," she said.

The number of clerical civil servants has stuck around 500,000 since 1984. While some departments such as Trade and Industry have reduced their clerical payrolls, others such as the Home Office and the Social Security Department have grown.

A variety of reasons is given for the growth:

● The Lord Chancellor's Department, with a 17 per cent increase in its clerical payroll since the start of 1980, blames the increased civil and criminal justice workload.

● The Home Office, which has increased its clerical staff from under 30,000 to over 46,000 in the same period, points to the expansion of the prison service and increasing immigration work, including the surge in asylum-seekers.

● The rapid increase in unemployment in the last two years has fuelled a 27 per cent jump in the number of government employees working in the Employment Service.

● The growth in the number of vehicles to be registered and tested.

● The growth in the number of property sales to be registered, still higher now than in the 1970s.

The executive agencies which are supposed to impose business disciplines on government services are responsible for much of the increase in the number of government employees.

Of the 28 oldest agencies, 21 have increased their staff since inception – increasing their staff by 12 per cent overall.

Industry economists remain pessimistic

By Emma Tucker and Peter Marsh

THE latest reduction in interest rates and falls in the value of the pound have done little to alleviate pessimism among economists working in industry.

Amid last week's turmoil on the foreign exchanges and arguments over the government's decision to cut base rates to 6 per cent, they remain uncertain about the strength and direction of economic growth.

Mr Richard Freeman, chief economist at ICI, the biggest UK chemicals company, said he has detected no sign of recovery in industry yet. "Exports have picked up a bit... It is very important that the pound does not rise too much from where it is now as we have got to make sure we maintain our competitiveness."

Ms Valerie Burton, chief economist at the Bass drinks, hotels and leisure group believes that fear of unemployment is still constraining spending.

"Low inflation hasn't really had much of an impact on people. We will be bumping along the bottom for some time although I see a pick up towards the end of the year," she said.

At the Engineering Employers' Federation, Mr Ian Thompson, chief economist, said a rise in confidence may have been registered, but there has been no corresponding increase in actual business.

"The outlook for exports is mixed. It is good as far as cost competitiveness is concerned, but our European markets are stagnant. I think there is more gain than loss overall, but it is finely balanced."

Mr Leslie Gunde, chief economist at the GKN engineering components group, said: "I have been encouraged by the apparent upturn in the car industry and also by the Bundesbank's moves on interest rates. But apart from this the signs about recovery are extremely patchy. Any tax increases in the Budget would be unwise as they would hardly help confidence."

Activity among retailers is similarly depressed. "We have seen no sign of economic recovery," said Mr John Randall, finance director of MFI, the furniture retailer. "A lot of people are looking and a lot are inclined to spend, but not quite to the point of putting their hands in their pockets."

He believes people have to feel comfortable about their job prospects and the value of their homes before spending can recover properly.

Mr Barry Scott, head of economics at British Gas was slightly more optimistic: "I remain confident that the lower pound and reduced interest rates will have a powerful effect in helping recovery. But it's difficult to see any discernible sign of this right now."

Britain in brief

National art collection sale blocked

The National Heritage Department has blocked Treasury approaches about the possibility of selling off the government's art collection, which hangs in UK ministries and British embassies worldwide.

"There was an initial exchange of letters," the heritage department said, "but there are no plans." The collection, built up since the turn of the century, includes works by Walter Sickert, Thomas Gainsborough, Augustus John and David Hockney. The Treasury, seeking ways to cut spending in the face of the UK's mounting fiscal deficit, described the reports as "speculation". Art experts have pointed out the folly of trying to sell such paintings at a time when the market is so weak.

Luxembourg radio interest

CLT, the Luxembourg-based international broadcasting group, has renewed its interest in investing in UK radio and television, and is examining the London commercial radio frequencies to be advertised next month.

Mr Gaston Thorn, CLT president and former president of the European Commission, was in London last week to express his interest to Lord Chalfont, chairman of the Radio Authority, which regulates commercial radio. CLT is interested in a music-based station in the south of England.

Banks criticised

Banks were criticised by a Department of Trade and Industry minister yesterday for the service they provide to small businesses. Baroness Denton, minister responsible for small businesses, said banks needed to show greater understanding, which contrasted with the Treasury's recent review of banks' treatment of small businesses which largely exonerated them of failing to pass on interest rate cuts.

Higher pension age is urged

The pension age for women should be raised to 65 and the common retirement age raised eventually to 67, the Social Market Foundation, an independent think tank, argues in a report published today.

It rejects that there is a demographic crisis caused by an increasing number of old people, and instead argues that many people stop working at too young an age.

New Vauxhall supply plan

Vauxhall is introducing a new car distribution system intended greatly to reduce stocks held at dealers' premises and cut the total number of vehicles in its supply pipeline by 20 per cent.

When fully implemented by 1995, it is expected to save the company and its dealers "tens of millions of pounds a year", according to Mr Dean Barrett, marketing services director of the General Motors subsidiary.

Until now, more than half of all new Vauxhalls sold were transferred between dealerships to satisfy orders, rather than supplied directly to the dealer by Vauxhall.

From now on, Vauxhall's 535 dealers will draw their cars from a network of five large storage facilities, each linked to either a Vauxhall manufacturing plant or, in the case of imported vehicles, their port of entry.

Electronics worth £30bn

Britain has the fourth-largest electronics industry in the world, with sales of £30bn a year, says a report published today. Electronics, with electrical engineering, is the country's second-largest manufacturing industry, employing 330,000 people, says the Confederation of British Industry.

Stop smoking!

Hypnotherapy is to be offered to help staff stop smoking at the Asda retail chain headquarters in Leeds, where smoking among the 1,500 employees is to be banned from March 1, except in one top-floor room.

LEGAL NOTICES

In the Matter of:
MUTUAL BENEFIT OVERSEAS, INC. a New Jersey corporation, TAX I.D. #22-2671457, Debtor-in-Possession.

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
(Hon. Novalyn L. Winfield)
Chapter 11
Case No. 93-20134
Hearing Date: February 11, 1993 1:00 p.m.

NOTICE OF MOTION OF MUTUAL BENEFIT OVERSEAS, INC. ("MBO") FOR AN ORDER PURSUANT TO SECTIONS 105, 362 AND 1121 (d) OF THE BANKRUPTCY CODE, AND RULE 4001 (d) (1) (C) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE: (A) AUTHORIZING THE MODIFICATION OF THE EXCLUSIVE PERIOD; (B) DIRECTING MBO TO REGULARLY REPORT TO THE CREDITORS' COMMITTEE ON THE AFFAIRS OF MBO; AND (C) AUTHORIZING RELIEF FROM THE AUTOMATIC STAY AND THE DISTRIBUTION OF CASH COLLATERAL HELD BY TRUSTEE TO THE BONDHOLDERS AND THE TRUSTEE

TO: ALL BONDHOLDERS/CREDITORS OF MUTUAL BENEFIT OVERSEAS, INC.

PLEASE TAKE NOTICE that on January 26, 1993, Mutual Benefit Overseas, Inc., the debtor and debtor-in-possession herein ("MBO" or the "Debtor") consented to the entry of an Order for Relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of New Jersey (the "Court") and was thereafter continued in the operation of its business and in possession of its properties as a debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that on February 11, 1993 at 1:00 p.m. (Eastern Standard Time, New York) or as soon thereafter as counsel may be heard, the Debtor, by and through its attorneys, Shanley & Fisher, P.C., will move before the Honorable Novalyn L. Winfield, United States Bankruptcy Judge, at the United States Bankruptcy Court, King Federal Courthouse, 50 Walnut Street, Newark, New Jersey 07102, for an Order pursuant to sections 105 and 1121(d) of the Bankruptcy Code and Rule 4001(d)(1)(c) of the Federal Rules of Bankruptcy Procedure: (a) Authorizing the Modification of the Exclusive Period to File a Plan of Reorganization and Solicit Acceptance thereof; (b) Directing MBO to Regularly Report to the Creditors' Committee on the Affairs of MBO; and (c) Authorizing Relief From the Automatic Stay and the Distribution of Cash Collateral Held by the Trustee (the "Motion") in the manner summarized below:

Payment to the Trustee, in an amount not to exceed $500,000, of unreimbursed fees and expenses, including the fees and expenses of counsel and any other professionals retained by the Trustee, incurred by the Trustee in connection with its duties under the Indenture;

Payment in respect of reimbursement for the payment of fees and expenses of counsel to certain Bondholders incurred in connection with their holding of Bonds and their efforts to bring about a restructuring of MBO for the benefit of all Bondholders; as follows:

- To the members of the Ad Hoc Bondholders' Committee in respect of amounts incurred to Kramer, Levin, Naftalis, Nessen, Kamin & Frankel and Lowenstein, Sandler, Kohl, Fisher & Boylan, in an amount not to exceed $600,000.
- To Fidelity Management & Research Company in respect of amounts incurred to Weil, Gotshal & Manges, in the amount not to exceed $300,000.
- To the Petitioning Creditors in respect of amounts incurred to Skadden, Arps, Slate, Meagher & Flom and Crummy, Del Deo, Dolan, Griffinger & Vecchione in an amount not to exceed $100,000.

Payment to the Paying Agents under the Indenture (the "Indenture") in respect of the outstanding Commercial Mortgage-Backed Bonds, Series 1986-1 and MBO (the "Bonds") for the distribution of funds held by the Trustee pursuant to Section 4.03 of the Indenture for the payments otherwise required to be made under the Indenture on February 1, 1993 (the "2/1/93 Funds") in the following manner:

- The interest and sinking fund payments otherwise payable on February 1, 1993 shall not be made except as provided below.
- The holders of 9-3/8 Sinking Fund Bonds due 1996 and the 9-5/8 Sinking Fund Bonds due 1998 (the "Sinking Fund Bonds") shall be paid an amount equal to one-third (1/3) of the interest payment otherwise payable to the holders of such Bonds on February 1, 1993 according to their respective terms.
- The holders of all Bonds (each a "Bondholder") shall be paid, pro rata, according to their respective Claim Amounts, an amount equal to the balance of the 2/1/93 Funds less (i) the amount disbursed to the holders of Sinking Fund Bonds referred to above, and (ii) a reserve amount of $4,500,000.00, including an amount equal to the amount to be disbursed to the Trustee under the Indenture (the "Trustee") and certain Bondholders as provided below and the balance to be utilized in the conduct of the affairs of MBO and the administration of this Chapter 11 case for the benefit of all creditors. (As used in this paragraph, the term Claim Amount means (a) with respect to any Sinking Fund Bond, the principal amount of such Bond plus the accrued but unpaid interest on such Bond (after taking into account any payment actually made to these Bondholders pursuant to the prior paragraph herein) to January 8, 1993, (the "Petition Date"), and (b) with respect to any Zero Coupon Bond due 2006, the accreted value of such Bond on the Petition Date).

PLEASE TAKE FURTHER NOTICE that the hearing on the Motion may be adjourned from time to time without further notice other than by announcement at the hearing on the Motion or on the date or dates of the hearing on any adjourned hearing.

PLEASE TAKE FURTHER NOTICE that in support of its Motion, the Debtor will rely upon the Motion and the Memorandum of Law filed with the Clerk of the United States Bankruptcy Court (the "Pleadings"), all other pleadings and Orders of record in this case and any evidence or testimony which may be necessary or appropriate on the return date.

PLEASE TAKE FURTHER NOTICE that a copy of the Debtor's Pleadings are on file with the Clerk of the United States Bankruptcy Court, District of New Jersey, King Federal Building, 3rd Floor, 50 Walnut Street, Newark, New Jersey 07102 and may be inspected during business hours as established by the United States Bankruptcy Court. Any bondholder/creditor may obtain a copy of the Pleadings by requesting a copy in writing to: Shanley & Fisher, P.C., 131 Madison Avenue, Morristown, New Jersey 07962-1979, U.S.A., Attention: MBO Clerk.

PLEASE TAKE FURTHER NOTICE that opposition or answering papers to the Motion, if any, shall be filed with James J. Waldron, Clerk of the Bankruptcy Court, King Federal Building, 50 Walnut Street, Newark, New Jersey 07102 and served simultaneously so that the responsive pleadings are received by the counsel listed below on or before the close of business (Eastern Standard Time, New York) on February 10, 1993:

Debtor's Counsel
SHANLEY & FISHER, P.C.
131 Madison Avenue
Morristown, New Jersey 07962-1979
U.S.A.
Attention: A. Dennis Terrell, Esq.
Robert K. Malone, Esq.

Petitioning Creditor's Counsel
CRUMMY, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE, P.C.
One Riverfront Plaza
Newark, New Jersey 07102
U.S.A.
Attention: Paul R. DeFilippo, Esq.

PLEASE TAKE FURTHER NOTICE that unless answering papers are filed and served in accordance with the preceding paragraph, the Motion will be deemed uncontested and the Court, in its discretion, may enter an Order in the form submitted to the Court by the Debtor.

SHANLEY & FISHER, P.C.
131 Madison Avenue
Morristown, New Jersey 07962-1979
(201) 285-1000
Attorneys for
Mutual Benefit Overseas, Inc.,
Debtor and Debtor-in-Possession
By: s/Robert K. Malone
A. Dennis Terrell
Robert K. Malone
Dated: February ,1993
Morristown, New Jersey

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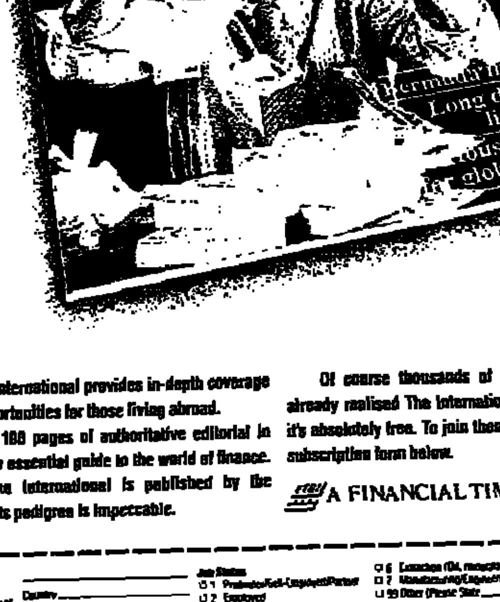

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THE WEEK AHEAD

ECONOMICS

Markets will study UK data to see whether inflation is under control

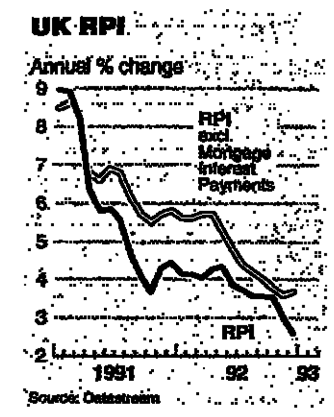
THIS WEEK'S UK data, including the producer prices index tomorrow and the retail prices index on Friday, will give some indication as to whether the government's apparent confidence on inflation is justified.

The recent one point cut in base rates to 6 per cent led some commentators to suggest the government was acting too hastily and that it now faces the uncomfortable prospect of rising inflation.

The inflationary impact of the devalued pound and monetary easing has yet to show up in the headline rate of inflation. Cuts in mortgage interest payments drove the retail prices index lower to an annual rate of 2.6 per cent in December, and are expected to have pushed it down even further last month.

However, the index excluding mortgage interest payments has already shown some hesitant upwards movement. In December it rose to within 0.3 percentage points of the upper limit of the Treasury's target range (1-4 per cent), and is forecast to have risen to 3.9 per cent last month.

Seasonal food prices usually rise in January, and price rises for alcoholic drinks as Christmas offers ended may also have pushed the underlying rate upwards.



The following are some of the other economic highlights and events of the week. Figures in brackets are the consensus of economists' forecasts from MMS International, a financial information company.

Today: UK, December credit business (£15m net borrowing); Denmark, December current account; Switzerland, monthly meeting of 10 Central Bank governors.

Tomorrow: UK, January producer input prices index (up 0.4 per cent on month, up 5.7 per cent on year), producer output prices index (up 0.8 per cent on month, up 3.6 per cent on year), excluding food drink and tobacco (up 2.6 per cent on year), first meeting of Treasury's panel of seven independent forecasters which Alan Budd, chief economic adviser to the Treasury will chair; US, Johnson Redbook week ended February 6, December wholesale trade; Canada, December motor vehicle sales (up 4.8 per cent on month), November labour income (up 0.3 per cent on month), January housing starts (173,000 units); Japan, December machine orders.

Wednesday: Belgium, EC monetary committee meeting in Brussels; Germany, government annual economic report released; Italy, Socialist party national meeting, lasting three days; US, President Clinton holds televised town hall meeting in Michigan; Canada, department store sales (down 0.5 per cent on year).

Thursday: Germany, second round in banking sector wage talks in Dusseldorf; US, US trade representative Kantor meets EC trade negotiator Brittan in Washington, Japan's foreign minister Watanabe visits Washington, January retail sales (up 0.5 per cent), excluding cars (up 0.5 per cent), initial jobless claims week ended January 30 (350,000), state benefits week ended January 23, money supply data for week ended February 1, money supply data for January M1 (up $5.9bn), M2 (down $9.8bn), M3 (down $25.5bn); Canada, November lead indicator (up 0.3 per cent on month), December lead indicator (up 0.4 per cent on month), January lead indicator (up 0.3 per cent on month), December new housing price index (up 0.1 per cent on month); Australia, January employment (up 20,000 on year), January unemployment rate (11.25 per cent); Japan, national holiday, markets closed.

Friday: UK, January retail prices index (down 0.3 per cent on month, up 2.3 per cent on year), excluding mortgage interest payments (up 3.9 per cent on year); Australia, December weekly pay rates; US, January PPI (up 0.2 per cent), excluding food and energy (up 0.2 per cent), February Michigan sentiment preliminary, December business inventories (down 0.2 per cent).

During the week: France, December M3; Germany, December cost of living – final, December capital account, December retail sales; Spain, December M4; Norway, January trade excluding ships and oil platforms; Japan, January trade balance ($4.1bn surplus).

Emma Tucker

RESULTS DUE

THE RESULTS season springs to life on Thursday with a handful of the UK's largest companies reporting. British Petroleum's figures should show it has begun to recover from its recent nadir. Having halved the 4.2p quarterly dividend at the half-way stage, a further 2.1p is expected for the final quarter, making 10.5p (16.8p) for the year.

With historical cost profits of £100m forecast for the final quarter, losses for the year are expected to be £487m (profits £1.2bn). Last year, BP heavily restructured management and operations while chemical markets remained poor, refining was mediocore and upstream operations went well thanks to the dollar and increased output. After several quarters of negative cashflow, it is expected to have been cash neutral in the final quarter.

Lloyds Bank, which has been most profitable of the clearing banks in recent years, announces its full-year results for 1992 on Friday. It is the first big clearing bank to report after bringing forward its announcement by two weeks. Analysts anticipate pretax profits of at least £650m after last year's £645m, but one estimate is of £745m.

Provisions for possible bad and doubtful debts are estimated at between £650m and £870m, against £918m in 1991.

Reuters, the international news and information group, is expected tomorrow to reveal an increase in pre-tax profits from £340m to £380m for the year to December. Given that Reuters is sitting on a cash pile of £700m, there has been some speculation that there will be a substantial hike in the dividend – or even a special payment. However, most interest will centre on the group's view of the trading outlook: a cautious statement at the interim stage gave the highly-rated shares a knock.

BT unveils its third quarter results on Thursday against intense speculation that it intends to advance its ambitions in global communications services by spending up to $5bn for a stake in Electronic Data Systems, the computing services arm of General Motors.

Excitement over rumours of the deal, on which neither company will comment, is likely to overshadow the trading figures which are expected to indicate BT's resilience in tough trading conditions. Pretax profits are expected to be £720m-£750m (£759m a year earlier).

Analysts will be watching call volume closely as an indicator of the way the economy is moving.

PARLIAMENTARY DIARY

■ TODAY
Commons: Questions to Transport ministers, Attorney General and Overseas Development Administration. Welsh Revenue Support Grant reports, motions. Industrial Training Levy orders. Private business – British Railways (No 4) Bill, second reading.
Lords: Debate on Procedure Committee report. Debate on EC report on migration. Scottish Hospital Trust Scheme Order. Penalty for Murder Bill, second reading. Debate on electricity prices.
Select committees: Environment, subject: The environmental implications of energy policy. Witness: Mr Michael Heseltine, trade and industry secretary (3.15pm, room 8).
Public Accounts, subject: Contracting of roads. Witness: Mr Patrick Brown, permanent secretary, department of transport (4.30pm, room 16).

■ TOMORROW
Commons: Defence questions. Questions to the Prime Minister. Housing and Urban Development Bill, report.
Lords: Asylum and Immigration Appeals Bill, committee. Maximum Number of Judges orders. Civil Jurisdiction and Judgments Act (Amendment) Order.

■ WEDNESDAY
Commons: Foreign Office questions. Housing and Urban Development Bill, remaining stages. Social Security Benefit Uprating Order. Supplementary Estimates.
Lords: Debates on transport for the disabled, defence and security and services for mentally disordered offenders.
Select committees: Environment, subject: Housing corporation. Witnesses: Department of Environment officials (9.15am, room 21).
Defence, subject: UK peacekeeping and intervention forces: naval forces. Witnesses: ministry of defence officials. (10.15am, room 15).
Trade and industry, subject, trade with Europe. Witnesses: Institute of Directors, TUC (10.30am, room 16).
Transport, subject: Future of the railways. Witness: Mr John MacGregor, transport secretary (4pm, room 15).
Education, subject: Special educational needs. Witnesses: Council for Disabled Children, Royal National Institute for the Blind, Association for all Speech Impaired Children, Spastics Society (4.15pm, room 8).
Health, subject: Community care. Witnesses: national association of health authorities and trusts, association of fundholding practices (4.15pm, room 21).
Public accounts, subject: Advances to health authorities in England. Witness: Sir Duncan Nichol, chief executive, NHS management executive (4.15 pm, room 16).
Agriculture, subject: Effects of the beer orders on the brewing industry and consumers. Witnesses: Campaign for Real Ale, National Licensed Victuallers' Association, National Association of Licensed House Managers, Home Office (4.30pm, room 6).
Employment, subject: Export of jobs. Witness: British Aerospace (4.30pm, room 20).
Scottish affairs, subject: Future of Scotland transport links with Europe. Witnesses: Mr Ian Lang, Scottish secretary, Mr Robert Freeman and Lord Caithness, ministers of state for transport (4.30pm ,room 18).
Home affairs, subject: Juvonile offenders. witnesses: Association of Chief Police Officers, Police Superintendents Association and Police Federation (4.45pm, room 17).

■ THURSDAY
Commons: Home Office questions. Questions to the Prime Minister. Local Government Finance (England) Special Grant Report, motion. Maximum Number of Judges orders. Civil Jurisdiction and Judgments Act (Amendment) Order.
Lords: Asylum and Immigration Appeals Bill, committee. Social Security Benefits (Amendments Consequential Upon the Introduction of Community Care) Regulations.
Select committee: Social security, subject: Disability benefits. Witness: Mr Nicholas Scott, minister of state for social security and disabled poople (10.30am, room 21).

■ FRIDAY
Commons: Backbench business – Representation of the People (Amendment) Bill.
Lords: Not sitting.

UK COMPANIES

■ TODAY
COMPANY MEETING:
Avon Rubber, Melksham House, Melksham, Wilts., 2.30
BOARD MEETINGS:
Final:
EFM Java Trust
Interims:
Black (P)
Bryant
Menzies (J)
US Smaller Co's Inv. Tst.

■ TOMORROW
COMPANY MEETING:
Baggeridge Brick, Chamber of Industry & Commerce, 75, Harborne Road, Birmingham, 12.00
BOARD MEETINGS:
Finals:
Manchester Ship Canal
P & P
Reuters
Interim:
News Intl.

■ WEDNESDAY FEBRUARY 10
BOARD MEETINGS:
Finals:
Brabant Res.
Kleinwort Overseas Inv.
Scottish American Inv.
Interims:
Bailey (C.H.)
Benson Group
Eibief
Throgmorton 1000 Smallest Co's

■ THURSDAY FEBRUARY 11
COMPANY MEETINGS:
API, Holiday Inn Crowne Plaza, Peter Street, Manchester, 12.30
Aberforth Smaller Co's Trust, 16, Chester Street, Edinburgh, 12.15
Control Techniques, Ty Rheoli, Unit 79, Mochdre Indl. Estate, Newtown, Powys, 12.00
Dobson Park Inds., Ironmongers Hall, Shaftesbury Place, E.C., 11.00
Tomkinsons, St. Mary's Church, Kidderminster, 12.00
Union Square, 20, Farringdon Road, E.C., 10.00
BOARD MEETINGS:
Finals:
British Petroleum
City Merchants High Yield Tst.
Crest Nicholson
Drayton Far Eastern Tst.
Finsbury Smaller Co's
General Cons. Inv. Tst.
Lonrho
River & Mercantile Tst.
Interims:
BT
Industrial Control
Newmark (Louis)
Pantheon
Symonds Eng.

■ FRIDAY FEBRUARY 12
COMPANY MEETINGS:
Radio Clyde, Clydebank Business Park, Clydebank, 12.00
BOARD MEETINGS:
Finals:
Alexanders Hldgs.
Anglo & Overseas Tst.
Lloyds Bank

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Amer. Medical Int. 11¼% Nts. 1995 £562.50
Grindlays Eurofin. Gtd. Fltg. Rate Nts. 1994 $271.25
Hapoalim Int. Gtd. Fltg. Rate Nts. 2000 $212.49
Huntingdon Int. 1.9p
I & S Optimum Inc. 1.85p
Japan Dev. Bank 8⅝% Gtd. Nts. 1995 $431.25
Marubeni Int. Fin. 6½% Dual Currency Y/$ Bd. 1997 Y650000.0
Do. 9⅛% Gtd. Nts. 1994 $912.50
Mazda Motor Fltg. Rate Nts. Aug.1996 Y104507.0
Pearson Sterling Fin. 10¾% Gtd. Bd. 2002 £537.50
Sanderson Electronics 5.4p
Volex 6.5p

■ TOMORROW
Bass 13.65p

■ WEDNESDAY FEBRUARY 10
Amer. Express $0.25
Baggeridge Brick 2.375p
Conversion 9¾% 2001 £4.875
Perstorp Free B SKr4.55
Readicut Int. 0.63p

■ THURSDAY FEBRUARY 11
BTP 3.25p
Chubb Security 1.5p
Latham (James) 1.5p
Storehouse 2.5p
Tomkinsons 8p

■ FRIDAY FEBRUARY 12
API 4.45p
Berkeley 1.65p
Booth Inds. 0.7p
Britannia Bldg. Scty. Fltg. Rate Nts. 1996 (1992 Iss.) $181.53
Forminster 4.04p
Gibbon Lyons 2p
Hunter Saphir 0.5p
Pall Corp. $0.08
Radio Clyde 5.25p
Scapa 1.6p
Scottish Inv. Tst. 3.02p
Scottish & Newcastle 5.76p
Skopbank-Finnish Savings Banks Assoc. Ser.A Und. Sb. Var. Rate Nts. $113.40
Do. Ser.B $113.40
Sterling Inds. 1.5p
Sumitomo Bank Int. Fin. Gtd. Fltg. Rate Nts. 2000 $102.22
Tesco Cap. 9% Cv. Cap. Bd. 2005 4.5p
Vega 0.87p
Vodafone 3.43p

■ SATURDAY FEBRUARY 13
British Gas Int. Fin. 8⅜% Gtd. Bd. 1997 Ecu83.75

■ SUNDAY FEBRUARY 14
Ball (A.H.) 2.2p
Guaranteed Export Fin. Corp. 11¼% Gtd. Nts. 1994 £1125.0
Norway (Kingdom of) 5⅜% Nts. 1997 Y53750.0

CONFERENCES & EXHIBITIONS

FEBRUARY 11 & 12
The Russian Oil Industry: Foreign Investment Opportunities
Convened by The Centre For Foreign Investment & Privatisation, Moscow, Petroleum Intelligence Weekly and The Royal Institute of International Affairs. Sponsored by Bankers Trust Company, ENI, Price Waterhouse, and Shell International.
Enquiries: RIIA Conferences.
Tel: 071 957 5700. Fax: 071 957 5710.
LONDON

FEBRUARY 15 & 16
Computer Assisted New Drug Applications
This conference explores the opportunities of computer assisted new drug applications. CAPLA/CANDA.
Venue: Forum Hotel, Cromwell Road, London SW7. Arranged by IIR Limited.
To register contact IIR. Tel: (44) (71) 412 0141. Fax: (44) (71) 412 0145.
LONDON

FEBRUARY 16–18
Smart Card '93
Europe's leading advanced card technology conference and exhibition, examining applications in communications, banking and security, retailing, customer loyalty schemes, pre-payment systems, passenger travel, road tolls and health care. Free admission to exhibition.
Venue: Wembley Conference Centre.
Contact: Lowndes Organisers Ltd.
Tel: 0733 394304. Fax: 0733 390042.
LONDON

FEBRUARY 17
Leading Through The Recession
Company performance hinges on the quality of leadership provided by its directors. Never more so than in recession. This Institute of Directors one-day seminar will be presented by Professor John Adair and Tony Barnes.
Enquiries: Director Conferences.
Tel: 071 730 0022.
LONDON

FEBRUARY 18
IT Investment Appraisal
This one day conference is devoted to improving corporate performance in the critical area of IT investment appraisal. The event draws on the practical experience of managers from leading organisations, and reviews a variety of the latest methods and tools.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

FEBRUARY 19
Turkey: Economic Prospects And Business Opportunities
Convened by The Royal Institute of International Affairs and Wilton Park, in association with The Turkish British Chamber of Commerce & Industry.
To be held at Chatham House, London.
Enquiries: RIIA Conferences.
Tel: 071 957 5700.
Fax: 071 957 5710.
LONDON

FEBRUARY 22
London Motor Conference
The conference will look at the challenges and opportunities facing the European motor manufacturing and components industry and review developments in distribution and franchising.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
LONDON

FEBRUARY 22 & 23
Acquiring In Europe
The essential annual conference for anyone considering a European acquisition. Leading experts guide you through the M&A maze, covering both technical and practical aspects of acquiring in Europe. Competition is fierce and up-to-date information is essential. Not to be missed!
Contact: Acquisitions Monthly.
Tel: 071 823 8740. Fax: 071 581 4331.
LONDON

FEBRUARY 23
What Drives Process Management?
This symposium addresses key ingredients in process management (quality, IT, people) and how it aims to help organisations manage change in an evolutionary/revolutionary manner in order to align the organisation within its competitive environment.
Fees: £120 + VAT.
Contact: Leanne Woods, Institute of Measurement & Control.
Tel: 071 387 4949.
BIRMINGHAM

FEBRUARY 23 & 24 1993
Cable & Satellite Broadcasting
This year's meeting will assess how multi-channel television delivered by cable & satellite is continuing to expand, the onward march of television choice for viewers and the business opportunities opening up. Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

FEBRUARY 24
Exporting Defence Electronics
The Conference will examine vital topics such as export licensing and financing from both company and government viewpoints. Presentations on key market sectors will include Avionics, Air Defence, Naval Electronics, COMMS and EW. Contact: Jessica Grand, EEA.
Tel: 071-331 2016. Fax: 071-331 2040.
LONDON

FEBRUARY 24–25
Doing Effective Business In The New Russia
A Central European seminar designed for corporates to analyse the opportunities of doing business in Russia. 80% of registered delegates are from European corporates. John Brown, British Gas, ICI, and Fiat look at the best ways of approaching the market.
Tel: 071 779 8791. Fax: 071 779 8603.
LONDON

FEBRUARY 25 & 26
Intellectual Property Rights & Standards In Telecommunications
If you are involved with the application of standards, bringing products to market, supplying components, or negotiating licensing agreements – this conference will provide you with the essential information on the new developments in Europe. Contact: Alex Leslie, Commed Publishing Ltd. Tel: 071 733 3456.
LONDON

FEBRUARY 26
The Japanese Economy At A Crossroads? Prospects To 1995 & Global Implications.
A half-day briefing convened by The Royal Institute of International Affairs and The European Institute of Japanese Studies at The Stockholm School of Economics. To be held at Chatham House, London.
Enquiries: RIIA Conferences.
Tel: 071 957 5700. Fax: 071 957 5710.
LONDON

MARCH 2 & 3
Transport In Europe – Creating The Infrastructure For The Future
The conference will examine a broad range of policy issues for liberalising and harmonising transport in Europe, financing infrastructure improvements and the development of pan-European integrated transport systems.
Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969.
LONDON

MARCH 3
Foreign Exchange Options Course
Intensive one-day course covering various aspects of the FX Option Markets: Trading Strategies, Forward Arbitrage Calculations, Pricing Models, Hedging, Volatility Exposure & Time Decay.
Venue: Cambridge Science Park, Cambridge.
£345 (1 day), £595 (both days).
Contact: Kathy Page, Brady Financial Seminars. Tel: (0223) 423250.
CAMBRIDGE

MARCH 4
Tomorrow's Systems, Today's Choices
This one day conference shows how I.T. departments can successfully manage technological change to meet current and likely business needs. The conference identifies key trends and developments which organisations must consider and explores how this critical planning process can be best managed.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

MARCH 4 – JUNE 3
Contemporary Europe
London School of Economics. A series of 12 evening seminars on Contemporary Europe. The seminars are suitable for Diplomats, Civil Servants, Business Executives, Journalists and others who wish to improve their understanding of current developments in the European Community. Fee: £475. Contact: Short Courses Office (Rosalind Tucker).
Tel: 071 955 7227. Fax: 071 955 7676.
LONDON

MARCH 8 & 9
World Pharmaceuticals
The conference will consider the challenges facing pharmaceutical manufacturers in a changing economic climate, how the industry is responding to the need to balance ethics with business interests and to win both political and public confidence.
Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969.
LONDON

MARCH 9
Selling Your Business To Management
Guidance through all aspects of management buyouts, including benefits and pitfalls of an MBO approach to divestment. Speakers: Ian Smith and Tim Lyle, Livingstone Fisher plc.
Enquiries: CIMA Mastercourses.
Tel: 071 637 2311. Fax: 071 580 6990.
LONDON

MARCH 9 & 10
Profiting From Total Quality
The Intercontinental Hotel, London. How quality companies maintain market leadership and meet the ever-increasing customer demands of the 1990s. Keynote speakers: Sir Bryan Nicholson and Professor John Huckett. A Conference Board Europe meeting.
Contact: Jane Campbell in Brussels.
Tel: 32.2/640.6240. Fax: 32.2/640.6735.
LONDON

MARCH 10–11
Interest Rate Risk Management Course
Day 1: Yield Curve construction and Risk. Basic and Derivative Instruments. Day 2: Risk Models. Hedging Basic and Derivative Instruments, Trading workshop session.
Venue: Cambridge Science Park, Cambridge.
£345 (1 day only), £595 (both days).
Contact: Kathy Page, Brady Financial Seminars. Tel: (0223) 423250.
CAMBRIDGE

MARCH 10-11
Know Your Competitors: Competitor Intelligence & Analysis inc. Benchmarking
A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: Patricia Donnard, EMP Intelligence Service.
Tel: 071 487 5665. Fax: 071 935 1640.
LONDON

MARCH 10–12
European Business Information Conference & Exhibition
Information is key to making business decisions. This conference and exhibition is for those researchers and information specialists responsible for tracing business, company and financial information in Europe. Senior delegates from Europe and US.
Contact: Jenny Perry, TFPL Ltd.
Tel: 071 251 5522. Fax: 071 251 8318.
LONDON

MARCH 11
Logistics For Corporate Profitability
The Intercontinental Hotel, London. Successful companies explain how cost-effective production and distribution in the Single Market and beyond gives them a competitive advantage. Keynote speaker: Jack Edwards, President, Itel Corporation. A Conference Board Europe meeting.
Contact: Jane Campbell in Brussels.
Tel: 32.2/640.6240. Fax: 32.2/640.6735.
LONDON

MARCH 15
EIS And External Information
This one day conference explores the potential of I.T. to radically improve the process of collecting, analysing and sharing external business information. How EIS and related systems can improve the quality, scope and relevance of this information.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

MARCH 15–16
5th International Life Insurance Conference "Putting The Policyholder First"
An exploration of the ways and means in which the industry is changing itself to meet the expectations of its customers.
Contact: Anna Pearson, Lafferty Conferences London.
Tel: 071 782 0590.
Fax: 071 782 0596.
LONDON

MARCH 16 & 18
Annual Hours: One Day Seminars
No one today can ignore the savings and productivity gains achievable through Annual Hours. Hear first hand evidence (from companies such as Philips) and learn its scope and application from Britain's leading practitioners.
Contact: Philip Lynch Associates.
Tel: (0904) 623703. Fax: (0904) 627538.
MANCHESTER & LONDON

MARCH 18–19
Geographic Information Systems: Mapping Business For The Future
This seminar investigates the wealth of opportunities arising due to the emergence of GIS from their cartological niche, into the domain of mainstream business tools.
Contact: Unicom.
Tel: 0895 256484. Fax: 0895 813095.
LONDON

MARCH 18–19
IT For Marketing: Exploiting The Business Potential Of Your Customer Database
The effective management of customer information as a strategic resource is the key dimension of marketing in the 1990's. Top level speakers discuss latest techniques and technology.
Contact: Unicom.
Tel: 0895 256484. Fax: 0895 813095.
LONDON

MARCH 19
Regulatory Strategies: Controls And Responses In British Regulation
London School of Economics. One day conference suitable for professional regulators and those directly or indirectly affected by regulatory regimes. Fee: £200.
Contact: LSE Short Courses Office, Houghton Street, London WC2A 2AE.
Tel: 071 955 7227. Fax: 071 955 7676.
LONDON

MARCH 23 & 24
The Food & Drink Industry
The aim of this year's meeting is to provide a high-level forum to discuss strategies for future growth, look at the structural changes taking place and discuss relationships between manufacturers, retailers and consumers.
Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969.
LONDON

MARCH 23-26
Total Quality Management: The Right Way To Manage
William E Conway
Bill Conway, the first Western CEO to implement the Deming philosophy in the West, will present his Right Way To Manage Seminar. People of all levels can learn from his knowledge and turn philosophy into practice. Contact: Mike Gallimore & Associates Ltd.
Tel: (0621) 858058. Fax: (0621) 850972.
BIRMINGHAM

MARCH 25
Developing An I.T. Strategy For Marketing
This one day conference shows how to develop a coordinated strategy to transform the effectiveness of sales and marketing through the use of I.T. It explores practical management issues which need to be resolved in order that companies can make a creative use of systems.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

MARCH 30
Strategic Alliances Conference
Alliances are back on the European agenda, but the risks are formidable. You must have clear objectives, find the right partner and invest time in managing the relationship. Cases from Mercury, DHL, Olivetti, Rover and United Distillers.
Contact: Acquisitions Monthly.
Tel: 071 823 8740. Fax: 071581 4331.
LONDON

MARCH 30–31
European Distribution And Logistics: The IT Strategy
The move to a common market and the advent of Pan-European organisations present major challenges in distribution and logistics. This seminar provides senior management with a review of IT strategies via discussion and case studies.
Contact: Unicom. Tel: 0895 256484.
Fax: 0895 813095.
LONDON

MARCH 30–31
Information Technology And The Law
Top law firms and enterprises keep you up-to-date with pan-European IT. 80% of our bookings are corporates. Plus – The EC: how R&D agreements will boost business with the US and Japan.
Enquiries: John Rumsey, Managing Intellectual Property.
Tel: 071 779 8534. Fax: 071 779 8603.
LONDON

MARCH 31 - APRIL 2
Emerging Markets/Restructuring The Energy Industries Of East Europe And The Former USSR
Eighth Annual PlanEcon, DRI/McGraw-Hill conferences with economic ministers from the region, fund managers, oil executives, and noted experts.
Contact: Corinne Redonnet.
Tel: 081-545-6212.
LONDON

APRIL 19–20
Investing In Privatised Rail Services
A practical examination of the financial and business aspects of the privatisation of British Rail. Speakers include Roger Freeman MP and Hugh Rees European Commission.
Enquiries: ICM Marketing Ltd.
Tel: 0483 37107.
LONDON

APRIL 20–21
Economic Briefing For Directors And Senior Managers
An opportunity to increase awareness of business issues in today's economies. This interactive seminar will focus on: Prospects for the UK; Challenges for Europe; The financial world; Global trading relationships and Events in USA and Japan.
Contact: Dr Joseph Nellis, Cranfield School of Management.
Tel: 0234 751122.
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Tel: 071 955 7533. Fax: 071 955 7675.
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INTERNATIONAL

FEBRUARY 10 & 11
Europe – The Way Forward
The aim of the Forum is to look at growth prospects in Europe, the framework for economic and monetary policies, as well as trade and competition policies and the industrial challenges and strategies.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
PARIS

FEBRUARY 24 – 26
Private Investment In Independent Slovakia
The Prime Minister and other Ministers present: Privatisation, Finance, Economy, Transport & Comm, Environment, the Government program and the experiences of successful investors. For info or to register contact: HC&CS, Priemyselná 6, 824 90 Bratislava, Slovak Republic. Tel: (42 7) 65 783. Fax: 215 527.
BRATISLAVA, SLOVAK REPUBLIC

MARCH 11
EC Romania Business Forum
Up-to-date intelligence on industrial and commercial opportunities in Romania for EC companies. Top speakers from Romanian Government and Ministries, EC Commission and EC industry. Organised by EC Commission.
Contact: Société Générale de Développement SA. Tel: +32 2 512 4636. Fax: +32 2 512 4653.
BRUSSELS

MARCH 11–12
DRI/McGraw Hill's International Economic Outlook Conference
DRI's International Economic Service provides company executives with detailed assessments of the prospects for market, financial and credit conditions, and the principal risks ahead. The conference will address these issues for the main international economies.
Contact: Corinne Redonnet.
Tel: 081 545 6212.
FRANKFURT

MARCH 16-18
International Gaming Business Exposition (IGBE) Europa '93
IGBE Europa '93 is the only major European exhibition exclusively for the casino gaming industry. IGBE Europa showcases all major products and services of importance to the casino. Special events will be held.
Contact: Eileen B. Baird.
Phone (USA) (203) 852-0500, ext. 107.
Fax (USA): (203) 838-3710.
MONACO

MARCH 19
European Human Resources & Personnel Management
This conference explores the development of personnel and human resources strategies in the Single Market and beyond. Speakers include the personnel director of British Nuclear Fuels and the head of personnel at the European Commission.
Contact: Lucinda Hallan, Rowlands International. Tel: (352) 463357.
LUXEMBOURG

EXHIBITIONS

FEBRUARY 9–11
Integrated Communications – The ISDN User Show & Conference
Effective use of ISDN is the theme of this event at Wembley. Exhibitors include BT, IBM, Fujitsu, PTT Netherlands with leading conference speakers from the European Commission DG XIII, France Telecom, Scimens & ETSI.
Information: Lowndes Exhibitions.
Tel: 0733 394304. Fax: 0733 390042
LONDON

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MANAGEMENT

Louise Kehoe looks behind the fanfare accompanying today's launch of a new-style Silicon Valley start-up

Rebels turned diplomats

The ping-pong table and arcade-style video game at the centre of General Magic's Silicon Valley offices are reminiscent of the early days at Apple Computer, when Steve Jobs parked his motorbike in the lobby and the foyer was furnished with games and a grand piano.

This young company, which has been a hot topic of computer industry rumour ever since it was formed three years ago, will for the first time discuss its technology today – software for "personal communicators", pocket-sized devices that will enable users to send and receive electronic messages.

So high are expectations for this fledgling that many in the industry believe it has inherited the innovative spirit of Apple Computer, where several of General Magic's managers played roles in the development of the popular Macintosh personal computer.

Indeed, General Magic has much in common with the 1980s generation of Silicon Valley entrepreneurial ventures that created the personal computer and the software programs that have put computers on millions of desktops: the casual style, the young engineers who seem to thrive on working all night, and most importantly a passionate belief that this is a company that is going to "change the world".

Yet General Magic is also strikingly different, notably because of the way it is developing a network of partnerships.

Unlike the fiercely independent spin-offs of the 1970s and 1980s, General Magic is built on alliances with some of the world's largest high-technology manufacturers.

"Ten years ago, we were in our 20s, and the industry was very different. We never gave a thought to co-operation. We were going to take over the world. We felt so strongly that we were in control of our destiny," recalls Joanna Hoffman, now vice president of marketing at General Magic, who was a principal member of Apple's Macintosh design team.

Maintaining such a complex set of relationships with companies that have different cultures and are competitors has not been easy

"Today, the industry is far more complex. There is a web of relationships in which companies co-operate and compete at the same time," she says.

General Magic's partners are Apple Computer, AT&T and Motorola of the US, Sony and Matsushita of Japan and Philips of the Netherlands. All are General Magic investors, and all have licensed the company's technology for use in their own future communications products and services.

Like most new ventures in Silicon Valley, General Magic is a spin-off. Its genesis was in Apple's Advanced Technology Group, where Marc Porat, now president and chief executive of General Magic, was attempting to develop ideas for products "beyond the personal computer".

But in contrast to the legal recriminations that accompany the departure of would-be entrepreneurs from many companies, General Magic's founders received Apple's blessing and encouragement in the form of an equity investment and technology licensing agreement.

From the beginning, General Magic set out to form alliances with "world standards setters", companies that could each bring a wealth of experience to bear upon the challenge of creating a new industry. This common goal has "transcended rivalries" among the partners, all of whom have invested in General Magic in return for technology licences, says Hoffman.

"All of the partners are treated as equals," she insists. That said, General Magic remains coy about the size of its partners' investments and holdings in the company except to say that all have the same governance rights, with membership of the board of directors, and all have reached identical technology licensing agreements with General Magic.

Hoffman admits that maintaining such a complex set of relationships with companies that have different cultures, and which in some cases are direct competitors, has not been easy.

The original plan to invite alliance members to station their representatives in General Magic's offices was scrapped when the company found itself becoming "an arena in which the contradictions of the co-operative yet competing relationships among alliance members were played out," she says. "We had to put a stop to it, and we did." Visits by the engineering teams from different partners now seldom overlap.

Certain areas of General Magic's offices were off limits to representatives of the alliance partners so that they would not see each other's prototype products. And General Magic's own employees, many of whom came from environments in which sharing of information is encouraged, had to learn to be more circumspect. In part this is a matter of tact, Hoffman explains. The bigger issue is that alliance partners do not want each other to know details of their product plans for General Magic software.

One of the most noticeable differences between General Magic and earlier start-ups is its penchant for secrecy. Whereas most young companies, especially those in the software industry, are all too eager to boast about their products, even if they have yet to finish development, General Magic has gone to the opposite extreme.

Although rumours have swirled around the company ever since it was formed, General Magic has managed to keep the identities of some of its partners and the details of its technology to itself. This is a remarkable feat in the gossip mill of Silicon Valley.

"It also creates a mystique," Porat acknowledges with a smile. Indeed, media management seems to be one of the talents that General Magic has inherited from Apple where the new company's founders also learnt that public attention can be a distraction. "We are preparing to do a lot of traffic control," in the wake of today's announcements, Porat adds.

The coyness, meanwhile, could not last indefinitely, as General Magic's partners found it increasingly difficult to keep their involvement under wraps and began to seek the involvement of third parties such as applications software developers, Porat explains.

Porat is nevertheless anxious to limit expectations. General Magic has refused to participate in the publicity created by others in the industry who have promoted the potential of personal communications devices to create a vast new industry.

"I am a walking antidote to hyperbole and hysteria," says Porat. "The public is tired of promises that the high-tech industry does not live up to," he adds.

It may be a decade before General Magic's vision of intelligent personal communications becomes reality, he stresses.

His colleagues who were involved in the development of Apple Macintosh remember the bitter disappointment that they felt when the first version of their product failed to live up to sales expectations. Ten years later, the Macintosh is the core of Apple's business and their contributions to the development of the personal computer industry have been widely acknowledged.

Such patience is also rare in a new venture. However, General Magic has the unusual advantage of financial backers who are looking for long-term results rather than a quick financial return. A potential problem is that this could postpone opportunities for General Magic's employees to cash in their stock, thereby putting a damper on the enthusiasm that drives the venture.

For the moment, General Magic is caught up in the excitement of its first public performance. It is trying to create a brave new world in which "personal communicators" are as ubiquitous as the telephone.

General Magic's ownership and management structure is certainly a formidable challenge. But perhaps the biggest question mark is whether it can define a new market.

The trick that the company has yet to perfect is to bring such technology to the masses, "those whose personal use of high-technology does not reach beyond the car, the television set and the telephone," as Porat puts it. "We want to make technology that people will welcome into their lives rather than being a source of stress," says Bill Atkinson, General Magic chairman and co-founder.

Virtual factory takes shape

By Andrew Baxter

A new buzzphrase is entering the European lexicon of industrial jargon – the "virtual factory". The concept is already common among US management experts to denote how companies can rejuvenate themselves by tapping sources of external expertise, rather than duplicating it themselves.

Now, however, those high-powered researchers at Insead, the French-based European Institute of Business Administration, have concluded that the virtual factory idea could be one answer to the perennial problem of Europe's global competitiveness.

Insead's just published bi-yearly survey* of manufacturing strategies – based on data from 108 big European industrial companies – acknowledges that companies have now absorbed the principles of customer-driven manufacturing such as total-quality management or just-in-time practices.

The strategy has paid off in terms of performance improvements on the factory floor. The big problem, though, is that it has not bolstered the competitive position of European manufacturing.

Insead admits that the economic environment must be one reason why manufacturing improvements have not been translated into profits or increased market shares. But perhaps, it suggests, there is a more structural reason.

This is that all manufacturers worldwide have adopted the same sort of techniques – known collectively as "lean manufacturing" and borrowed or adapted from the Japanese – and are now fighting on a level field. Something extra is required if a manufacturer is to gain competitive advantage.

"Finding this new way of manufacturing is perhaps less easy for Europeans than in the past," says Insead. "We have got used to looking east for examples of outstanding manufacturing. But even Japanese manufacturers do not seem to have a clear picture of what looms beyond the horizon."

According to the survey, the best of Europe's senior manufacturing managers are now integrating manufacturing within the value-added chain, both with other functions in the company and with suppliers and customers.

This is what Insead calls the "virtual factory" – a factory which performs its task of transforming materials and components into value for the customer by using resources outside the manufacturing function itself. The resources of the suppliers, marketing and sales, engineering, even the customer, have to be mobilised.

According to Insead, its discussions with managers reveal concepts such as virtual logistics. Responsibility for the flow of goods and organisation is assigned to a virtual logistics manager, but without giving that person a logistics organisation.

The implications for the manufacturing manager are significant. "The concept of a virtual factory requires that tasks get carried out by networks of resources inside and outside manufacturing," says Insead.

"These networks will not emerge spontaneously but require manufacturing managers to pay attention more than ever to relations with their peers and partners."

Unfortunately, Insead's evidence suggests that most European manufacturers are not yet ready for the task, which depends on three conditions: a clear and shared vision throughout the organisation, an unambiguous commitment to the improvements of human resources, and a reasonable willingness to experiment with new manufacturing methods.

But, says the report, there seems to be insufficient investment in all three areas to reach the ambitious goals of the virtual factory.

As with lean manufacturing, though, the big question may be whether European companies can gain any competitive advantage from the virtual factory.

Creating the Virtual Factory, by Arnoud De Meyer. Available free from Insead, Boulevard de Constance, 77305 Fontainebleau Cedex, France.

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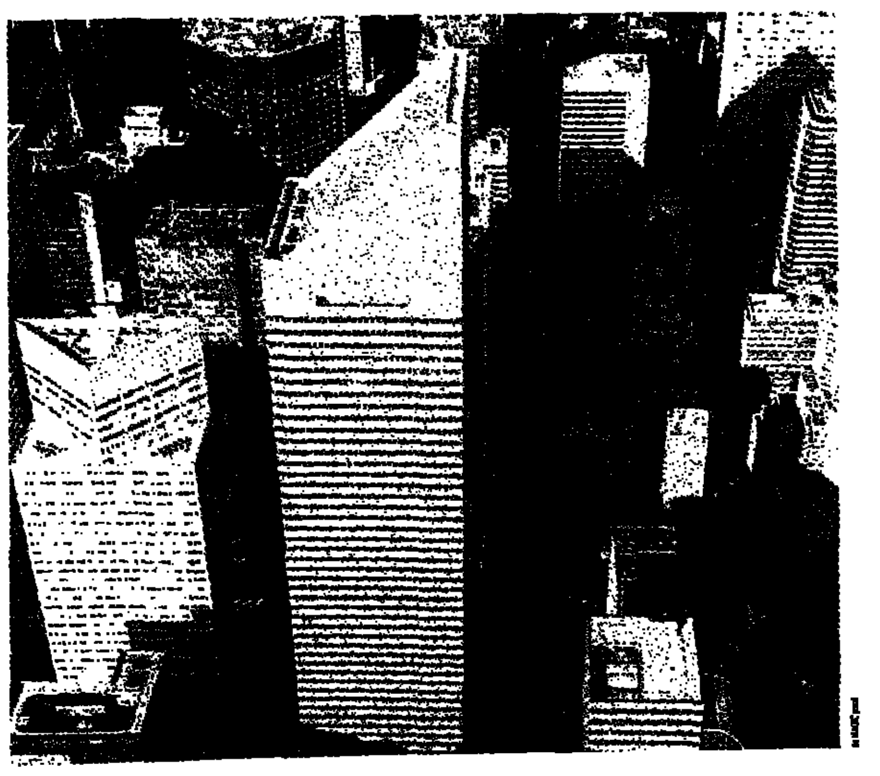

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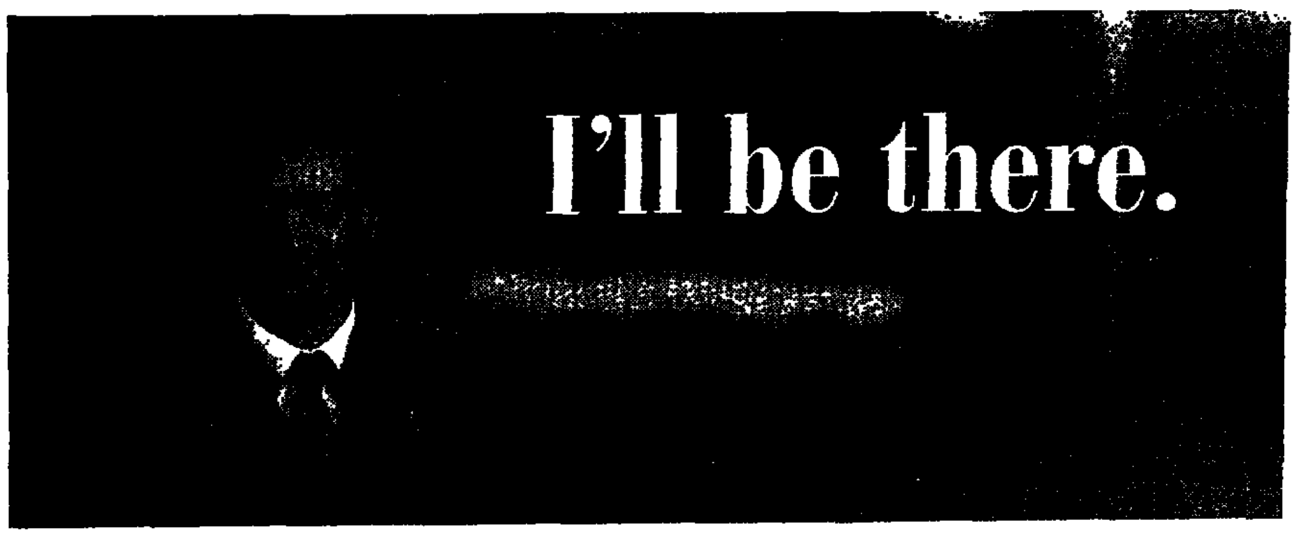

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Flood control scheme

MOTT MACDONALD has been commissioned by the National Rivers Authority (Anglian Region) to design and supervise construction of the fourth and final phase of the £20m barrier banks project – this focuses on the northern and central sections of the banks. The 65km barrier banks in East Anglia protect up to 75,000ha of agricultural land and have a history stretching back some 300 years when drainage of the Fens began.

Remedial works for the final northern and central phase will involve the removal of cracking clay soils and their replacement with imported fill and reprofiling of significant lengths of embankment using imported material, some of which has been won locally. In order to transport materials to the site some 10km of haul roads (generally granular sub-base over geotextile) will have to be constructed, in addition to the 35km already provided in earlier phases.

Water projects

BIRSE CONSTRUCTION has won contracts worth about £23m from four of the major water companies.

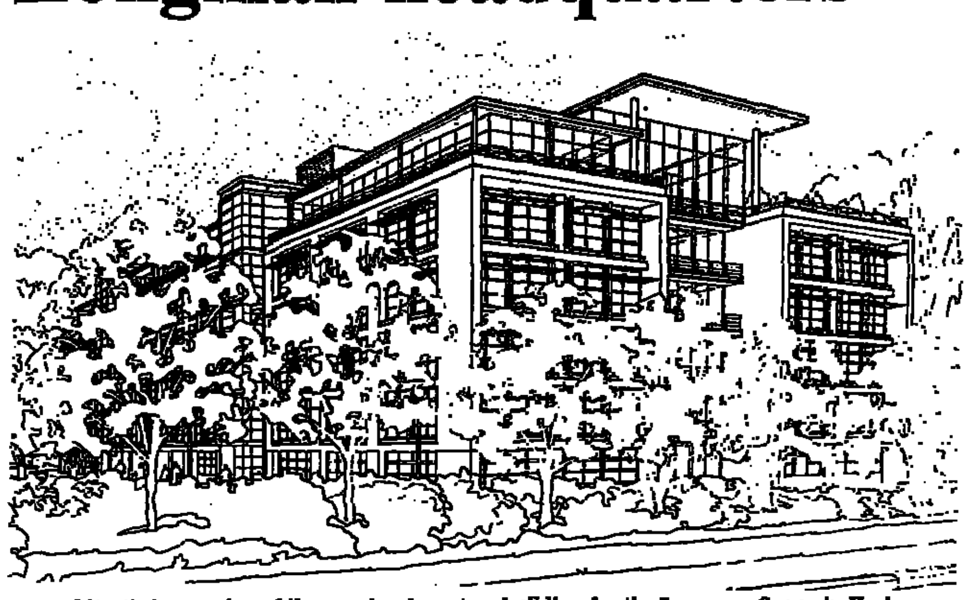
The largest contract valued at £4.5m is for Anglian Water and comprises the civil engineering and building works for a new wastewater treatment plant at Cleethorpes. This is an extension to an existing £3.5m contract for the mechanical and electrical plant and equipment at the same site.

A contract worth £3.8m to design and build a water treatment plant at Winterton has also been secured from the same client.

Kent warehouse

FRENCH KIER ANGLIA has won a £9.7m design & build contract for a 20,000 sq metres transit warehouse for Seacon Holdings at Tower Wharf, Northfleet, Kent. The warehouse will extend over the Thames on a reinforced concrete deck, supported by steel tubular and cased piles.

Longman headquarters



An architect's impression of the new headquarters building for the Longman Group in Harlow

BRYANT CONSTRUCTION has won a £21m contract to build the international headquarters in Harlow, Essex for Longman Group, a member of the Pearson Group, owner of the Financial Times.

Next to Longman's existing Harlow headquarters, the new block, designed by architects Conran Roche, will be six storeys high, over 170,000 sq ft and have a roof garden, conservatory and restaurant. The design team has developed a naturally ventilated building which relies primarily on passive measures to save energy.

The building plan places 13.5 metre wide office floor plates on either side of a 12 metre wide atrium. Both sides of the office areas have opening windows so that air can cross-ventilate from the outside and into the atria where a natural stack effect is created to assist in the general movement and vent the heated air at high level.

At night the process is maintained to cool exposed concrete soffits in the offices to offset heat gain during the day.

Windows in both the external and atrium walls are at high level to allow as much air as possible to pass over the slab. Windows at low level will give localised control.

£50m orders for Willmott Dixon

WILLMOTT DIXON building companies have won contracts valued at more than £50m in the final quarter of last year.

Willmott Dixon Symes has recently begun contracts valued together at £4.7m. They include the refurbishment of offices in Conduit Street, W1, for Olympic Airways; repairs and upgrading works to two generating stations for London Underground; refurbishment of premises for London Electricity; and the design and construction of a Homebase store in the borough of Wandsworth.

Willmott Dixon Eastern has new work valued at £750,000. In Cambridge a sports pavilion is being built for Cambridge University Press, and in Welwyn alterations are being carried out to a building belonging to Smithkline Beecham Pharmaceuticals.

Birmingham-based Willmott Dixon Midlands started 1993 with six new contracts worth around £9m. They are for a new accident and emergency department for the East Birmingham Hospital NHS Trust; a Friendly Hotel in Loughborough; and four housing association projects to provide 80 homes for rent in Birmingham, Coventry and Wolverhampton.

Willmott Dixon's three specialist housing companies have recently won 10 contracts worth more than £26m. They include a £6m project on the site of the former Perivale Hospital which will provide a consortia of three housing associations with an additional 150 homes.

Major road development in Derbyshire

The Department of Transport has awarded a £19.4m contract to build a 9.2km dual carriageway bypass of the villages of Foston, Hatton and Hilton on the A50 and A516 trunk roads in Derbyshire to MOWLEM CIVIL ENGINEERING, a division of John Mowlem Construction.

The bypass forms part of the new A564 Stoke-Derby link road, a key sector of the new route between the M1 and M6 motorways in the Midlands. The new bypass will run from the eastern end of the existing Sudbury bypass to join the A516 east of Hilton.

A 3.5km trial length of the road will be of continually reinforced concrete pavement, with an exposed aggregate finish. This form of concrete surfacing is being used for the first time in the UK.

The contract includes five overbridges, three underbridges, side and slip roads and flood relief culverts.

Charles Schwab to set up in UK

Ethel Daly is moving to London to set up shop in Mayfair on behalf of America's biggest discount stockbroker Charles Schwab.

"It had always been part of our strategy to come to Europe; it was just a question of timing," says Daly, newly appointed managing director of the international division, who arrives to tell the story of the US recovery, and the relative attractiveness of equities since dollar interest rates are so low.

She has been at Schwab, which boasts a 49 per cent share of the discount market at home, and has around 2m active investors with $66bn in client assets, since 1987. Her last job was as senior vice-president of retail service delivery which involved managing 90 branch and seven regional offices in the eastern part of America.

She says she has a fair amount of international experience, including during her time at Crocker National Bank in the late 1970s where, working on the foreign exchange operation systems side, she led a group representing West Coast banks which were then introducing the European payments system SWIFT.

With chairman and founder Charles Schwab in London next month to launch a new product and unveil the European strategy, Daly will not elaborate on the service she, with two others, proposes to market.

And the competition? "I'm trying not to be arrogant, but in terms of the overall package, I don't think there is anybody," she comments from the company's headquarters in San Francisco.

■ Ian Grant, a non-executive director of the Royal Bank of Scotland Group, has joined the board of Banco Santander.

The decision to add a second Royal Bank director to Santander's board – Royal Bank chairman Lord Younger has been a director for two years – follows growing rumours that the Spanish bank was contemplating selling its 9.9 per cent stake in the Scottish bank.

Santander used the occasion of Grant's appointment to its board last month to reaffirm its commitment to the alliance with the Royal Bank which has a 1.5 per cent stake in Santander. A Santander spokesman described recent stock market speculation that the links might be broken as "complete nonsense" and said that the cross shareholdings are "long-term investments which are central to the unique alliance of our institutions".

However, one analyst noted that if the Royal Bank were really intent on developing the relationship it should have put one of its executives on the Santander board.

■ Victor Beamish, formerly managing director of WI Carr (Far East), a subsidiary of France's Banque Indosuez, has been appointed managing director of HG Asia Securities in London.

For Beamish the move means re-joining a team he left in September 1987 when HG Asia was part of the UK-based stockbroker Hoare Govett. HG Asia, though, was bought out from Hoare's then American owner Security Pacific last June and is now owned by its employees, Hong Kong holding company Guoco, and American broker Smith Barney, which has 20 per cent.

Beamish, 39, a member of a distinguished Irish rugby-playing family who has lived for spells in Hong Kong and Singapore, will be responsible for the continued development of HK Asia's European, UK and North American business.

Pastures new for Quest-Ritson

Charles Quest-Ritson, a solicitor whose private passion for gardens recently found expression in a highly-acclaimed book The English Country Garden Abroad, has joined Capel-Cure Myers Capital Management to head up its financial planning arm, Capel-Cure Myers Financial Services.

His move from a private law practice in the West Country to the private client stockbroking and fund management group by way of two years at an independent financial adviser, Advisory & Brokerage Services, was occasioned by a growing disenchantment with the legal world.

"The law is not changing very fast. When you reach a certain age and have learnt the job, it is difficult to see where the challenge and excitement is supposed to come from in doing the same thing for the next 20 years. The courageous thing to do is to move on."

The task at Capel-Cure Myers, where Quest-Ritson, 45, is in charge of a team of eight, consists less in discussing specific investment vehicles with clients than in developing an overall strategy for them. He regards it as providing "a brain-box that works on an individual's personal circumstances, and touches on things that would normally be covered by accountants, lawyers, tax experts and so on".

Meanwhile, his latest literary success took two years to research and write and grew out of a life-long love of gardening kindled at the age of nine when he first collected the school gardening prize – a trophy he carried off every subsequent term until he left.

Constructive careers

■ Bob Glibbery (above), formerly md of Hall & Tawse Southern, has been appointed md of Hall & Tawse, part of RAINE; he succeeds David Vincent who has been promoted to group md.

■ Sir Hugh Rossi, recently retired chairman of the House of Commons' environmental select committee, has been appointed a consultant to WIMPEY Environmental.

■ John Purvis, Paul Ellyatt and Keith Winter have been appointed directors of WHITE YOUNG.

■ Bob Tyler, formerly operations director for the Midlands region, has been appointed md of LOVELL HOMES.

■ Tony Mitchell has been appointed operational director for the Scottish region of KIER CONSTRUCTION's civil engineering division. Graham Mole has been appointed md of IEI, a Kier Group subsidiary.

■ Tim March has been appointed northern regional director for CLUGSTON CONSTRUCTION.

■ Adrian Barden has been appointed to md of Builder Center, part of WOLSELEY; Dennis Elliott has split the two roles and remains chairman and a director of Wolseley Centers.

■ Ian Smith (below) has been appointed a director of OSCAR FABER SCOTLAND.

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INVITATION TO TENDER
FOR THE STUDY AND SUPPLY OF EQUIPMENT
OF ONE UNIT FOR THE MOLASSES DESUGARIZATION
FROM BEETS (TENDER No. 1011/93)

THE HELLENIC SUGAR INDUSTRY S.A. (H.S.I.) invites international competitive tenders in sealed quotations for the study and supply of:

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THE MANAGING DIRECTOR
C. FOURNARAKIS

THAILAND-VIETNAM-HONG KONG CABLE SYSTEM
MARINE ROUTE SURVEY
REQUEST FOR EXPRESSIONS OF INTEREST

OTCI, as one of the Purchasers of the planned Thailand-Vietnam-Hong Kong Cable System (T-V-H) seeks, without prejudice, written Expressions of Interest from competent and experienced submarine cable marine route survey companies for the surveying of a viable route for the T-V-H Cable System, using modern, wide-swathe side-scan sonar equipment.

The planned landing points for this cable system are Sri Racha (Thailand), Vung Tau (Vietnam) via a submerged branching unit, and Deep Water Bay (Hong Kong). It is expected that formal tenders for the marine route survey will be called on 15 March 1993 with a closing date of 16 April 1993, and with completion of the survey before the end of the fourth quarter 1993.

Noting the particular requirements of this region, including the procedures necessary for the timely issuance of permits for the marine operations, marine survey companies that consider they have demonstrated experience, capabilities and capacity to undertake this work, are requested to provide their credentials by facsimile in no more than three (3) A4 pages of text no later than 1700 hours Eastern Australian Daylight Savings Time Wednesday 24 February 1993 to the following Purchasers' representative:

Mr G.L. Sachs, OTC Australia, G.P.O. Box 7000, Sydney, NSW 2001 AUSTRALIA. Fax 61 2 283 3052 Phone 61 2 287 5338.

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) Insolvency Act 1986
Company No 1086519
Registered in England and Wales
Bearsted Tool Supplies Limited
(In Receivership)

Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of: Coopers & Lybrand, Orchard House, PO Box No 262, 10 Albion Place, Maidstone, Kent, ME14 5DZ on 12 February 1993 at 12 noon for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) They have delivered to us at the address shown above, not later than noon on 11 February 1993 written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and

(b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed: N J Vooght, Joint Administrative Receiver
Dated: 29 January 1993

INTERNATIONAL TAXATION

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18 February 1993

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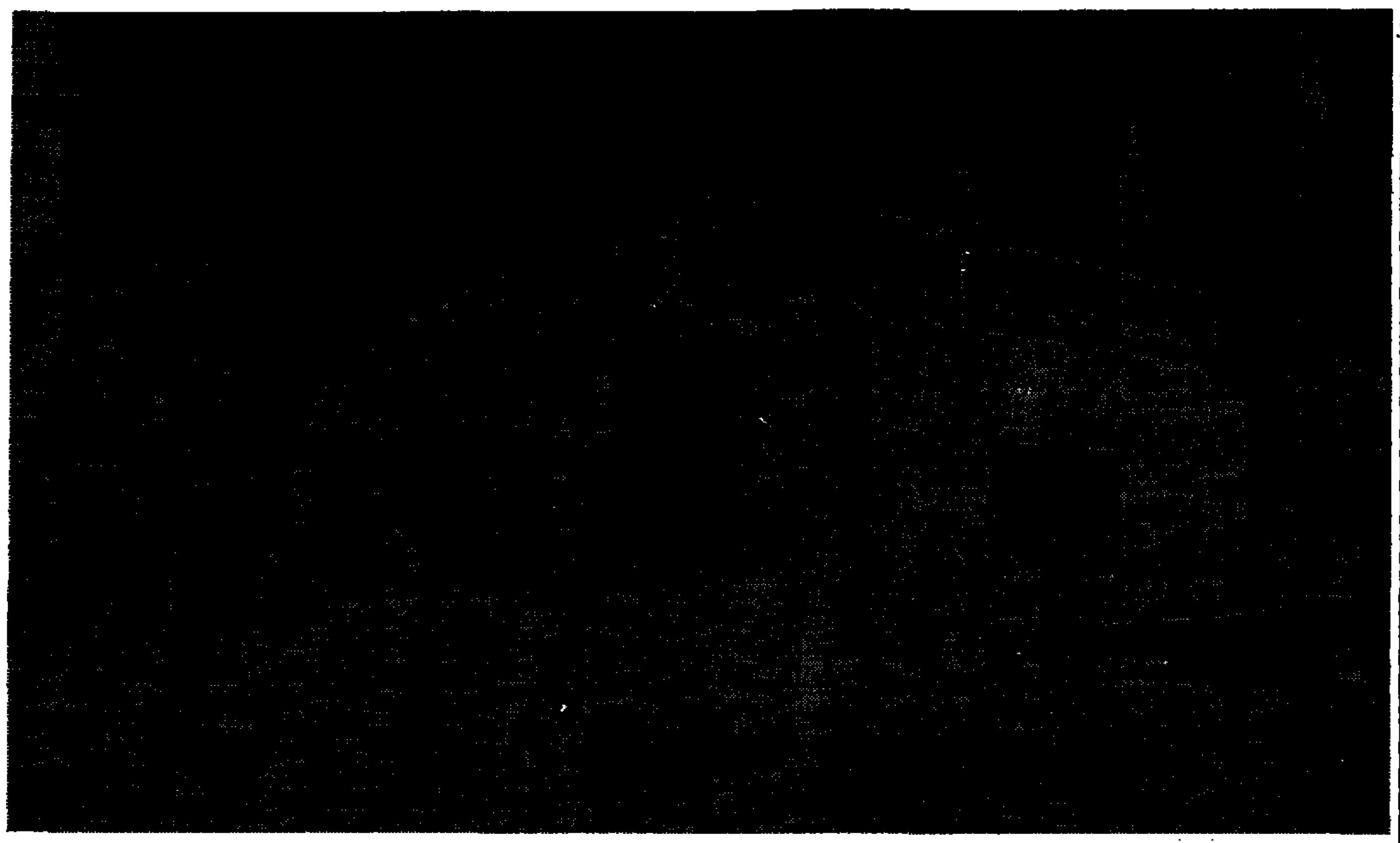

Design for Valleta's National Arts Centre by Richard England with Konrad Bohagiar and David Felice

Island fortified against ruin

Colin Amery discusses sympathetic plans for a new arts centre in Malta

Malta is still a glamorous island with a past that has left behind a remarkably rich architectural heritage. You cannot get away from the fact that the place is composed of limestone which has been used for centuries as the basic building material. This has given the island a distinctive unity: walls, bastions, fortifications, palaces and churches fill the skyline. They are varied in style, but all look as though they have grown from the earth.

Malta has always drawn a rich variety of travellers to its shores; poets and writers have followed a succession of conquerors. It was Coleridge who arrived shortly after the British had captured the island from the French in 1814 and wrote: "One's first feeling is, that this is all strange; and when you begin to understand a little of the meaning and the uses of the massy, endless walls and defiles, and then you feel and perceive that this is very wonderful. A city all of freestone, all the houses looking new; all with flat roofs, the streets all straight, and at right angles to each other; but many of them exceedingly steep, none quite level; of the steep streets, some are stepped with the smooth stone.... the whole island looks like one monstrous fortification ... the fortifications of Valetta are endless ... such vast masses, bulky mountain breasted heights."

Malta is still a paradise for the military historian and even more of a paradise for the architectural enthusiast. There are 300 churches in the group of islands and more are still being built. Piety and an enthusiasm for building seem to go together. Malta is fortunate in having a small but significant group of architects and artists who appreciate its very special qualities. This is not to say that the island is unspoilt – one million tourists a year and a tendency for aspiring locals to move out of older parts of the towns and build new houses that could be built anywhere – is leading to a decline in standards. But the smallness of the island means that the group of good designers and artists can have considerable influence. One of the leading architects there is Richard England, who has made Malta his personal crusade.

In London at the moment there is a small, colourful and cheering exhibition of his work, lifting the spirits in the London winter and offering a lot of encouragement to architects who believe, as I do, that it is perfectly possible to create new buildings in old places if the problem is approached with sensitivity, respect and love.

It is some nine years since I last wrote about Richard England's work and it was fascinating to see in his exhibition at the Building Centre in Store St, WC1, how he has developed and changed.

In a recessionary world where architects are finding it hard to sustain their practices, it is hard not to envy Mr England the range of his work. Building continues in Malta to house and cater for the successful tourist industry. There is money even for churches and opera houses, and England is a leading contender for the rebuilding of the opera house in Valetta. Surprisingly, Malta had an opera house that was designed by Edward Middleton Barry – the architect of the Royal Opera House in London's Covent Garden. He was commissioned to design an opera house for Malta in 1860, at a time when the island acquired a crop of major late 19th century buildings in the flourishing days of British rule.

Barry designed a theatre with a huge portico that would have looked at home in London, Manchester or Liverpool. By designing it in an office in London, Barry ignored the fact of the steeply sloping streets and had to raise the whole thing on a grand podium to cope with the changes of level. The opera house also had a chequered career – it was gutted by fire in 1873; completely rebuilt; and then, badly damaged by bombs in the second world war, closed down.

Today the island authorities want to encourage a lively evening life in Valetta and the building of an arts complex on the opera house site is their next priority. Richard England's scheme proposes utilising the marvellous remains of the great portico and building splendid public spaces behind it in an uncompromising but powerful modern style. His design is very effective and original.

If and when the opera house/arts centre is built, it will be close to the new city gates by the Italian architect Renzo Piano. He won the "Malta Gates" competition with a design that responds intelligently to the island's traditions without venturing down the paths of pastiche.

In his exhibition Richard England shows another example of one of his skilful designs fitting in to the old fabric of the city. His new Central Bank of Malta in Valetta is built inside the massive walls of one of the great fortifications. By lighting the centre of the new premises with a great atrium it has been possible to build an important new facility for the island which is more or less invisible.

This will not be the case for the San Tumas Tourist Village, a kind of terraced pyramid of flats and rooms. While this can never be recessive it can fit in to the island because Richard England recognises the elemental nature of the cubist vernacular stone houses. This is something basic to the island which adapts to modern architecture very successfully.

I enjoyed the way Richard England's architecture is now using more colour in a bravely cubist way. His work succeeds for two main reasons: drawing and style. The many prints and drawings in the exhibition demonstrate that he has completely absorbed the architecture of his native island. While drawing clearly helps him to absorb the qualities of the architecture, he uses this skill to develop a style of his own, successfully relating to the elements of the island's tradition. Malta is fortunate to have him to lead the profession on the island.

Theatre/Malcolm Rutherford

The Prisoners of War

The New End Theatre in Hampstead has unearthed a minor masterpiece in J R Ackerley's *The Prisoners of War*. Ackerley is perhaps most remembered for his autobiographical novel "We Think the World of You", published in 1961. He had become literary editor of The Listener in 1935 and held the post for nearly a quarter of a century. He died in 1967.

His dramatic work came early on. *Prisoners* will always have a footnote in theatrical history because it was the first English 20th century play to deal seriously and overtly with homosexuality and to be passed by the censor, who may have missed the point. It was first performed at the Royal Court in 1925. What I did not know before, however, is what a play it is in its own right.

Prisoners works not because it is shocking (it is not) but because it is such splendidly mature drama. In terms of theatrical development it looks back to the best of Harley Granville-Barker at the beginning of the century, where grown-up people attempted to discuss grown-up subjects, and forward to Terence Rattigan where the limits to what can be said even by articulate people had become recognised. It is an uncanny coincidence that Rattigan's *The Deep Blue Sea* should be revived at the King's Head in Islington almost at the same time as *Prisoners* is rediscovered in Hampstead. The two plays have a remarkable amount in common and you should try not to see one without the other.

Ackerley's piece is set in Murren, Switzerland in 1918. The prisoners of war are genuine: they are officers removed from camps in Britain or Germany to neutral territory where the conditions are reasonably civilised, including tennis, dancing and some freedom to move within the country. But the background of the war is to some extent a subterfuge. These are males in a predominantly male institution; the extended meaning of prisoner is homosexual.

One, in particular, stands out. He is Captain Jim Conrad, played to perfection at the New End by Ashley Russell. He has the best rooms in the Swiss guest house, invites the other officers to use them as a mess room, but plainly has eyes only for Second Lieutenant Grayle (Neil Roberts). Both Conrad and Grayle are virgins, Conrad because of his proclivities, Grayle because is so young. A large part of the play is about Conrad's frustrated feelings.

There is at least one subplot. Another British officer forms an attachment to the Canadian Captain Rickman to the point that they want to set up business together in Canada. It is left deliberately unclear whether this is a homosexual relationship.

Russell as Conrad is about as moving as you can get without going over the edge. He is not handsome, has strangely protruding teeth and a tendency to wear shorts when others are in long trousers. The emotion is nearly, but not always, suppressed. In the end he breaks down, a pathetic figure who is a prisoner of convention. The play is flawlessly directed by Ken Butler.

New End Hampstead until February 28. (071) 794 0022

Rock/Andrew Clements

Loudon Wainwright III

Families worry Loudon Wainwright. For more than 20 years his songwriting career has been spattered with songs that gnaw away at the raw bones of relationships – father and son, brother and sister, husband and wife, parent and child. Now as Wainwright drifts through middle age his songs seem preoccupied more and more with putting the record straight. *History*, his latest release, was originally going to be called "Family Album"; the 14 songs range across the domestic battle field, bleakly cataloguing the casualties.

His current British tour may be aimed at boosting the sales of *History* but in concert the effect is anything but bleak; Wainwright himself comes over as an energetic, hard-working performer, and immensely likeable. The running order seems half-improvised, the banter spontaneous. Among the post-Dylan generation of singer-songwriters he is much closer to Randy Newman than to, say, Neil Young or Springsteen; he shares with Newman a liking for black irony, though not his penchant for disguise. With Wainwright there is no concealment, the nerve ends are bared and the confessional element is patent.

The humour becomes a vital safety valve, undercutting the despair of his lyrics, numbing the pain of the idealism that gradually has been eaten away. Even "Talking Bob Dylan", Wainwright's witty tribute to his begetter, has a sharp edge as he charts his hero's progress and implicitly compares it with his own. Most of the time, he can't help himself – "Boys kiss girls, make them cry/ That's a man's job". But when the humour drops away the effect can be devastating: in "Hitting You", which traces his disintegrating relationship with his daughter, there is nothing but despair.

There were old songs too – "Be Careful There's a Baby in the House" from 1971 and a rousing C & W version of "Dead Skunk" – as well as something brand new, in Wainwright's hymn to the Clinton inauguration: "Talking about our generation/Hope we grow up before we get old". The subject matter, as always, doesn't bear thinking about; it is a tribute to Wainwright's feisty resilience that his audience are able laugh a lot more than they cry; look at me, he's telling them, I know it's all awful, but I'm still here, still laughing.

Royal Festival Hall; *History* is on Virgin (CDV 2703)

Music in London

American String Quartet

Until this weekend the American String Quartet had never appeared in London, though they have been performing for almost 20 years and are regular European visitors. At home they are loyal champions of new American music, as well as of Schoenberg; but they chose to bring only works by DWEMs (dead, white European males) to the Wigmore Hall, with only Bartók to represent the twentieth century.

Accuracy, clarity and transparent balance are their great virtues. They boast a notably strong second violin, and a viola that sports more pungent character than their suave cello, which means that middle voices stand out uncommonly well without protruding. The quartet's lucid textures are partly achieved, I think, by a gingerly avoidance of dramatic extremes: on Saturday there was scarcely a real fortissimo, nor a pianissimo either, until their closing Bartók Fourth.

Even there, though the music occasionally sizzled it never seared. The rhythms were admirably precise, but without the expected truculent thrust. In the muted Prestissimo, which was in its way a tour de force, the semiquaver buzzes rarely stung. Yet as a study-performance, it was all correctly and quite vigorously set out, and jewelled with scrupulous detail; one could learn from it.

> 'The rhythms were precise, but without a truculent thrust'

They had begun with the A major quartet from Beethoven's op. 18. It slipped smoothly by without leaving much impression. Odd approach to tempi: the Americans chose mostly speeds on the high side, but kept to them so metronomically that there was neither an exciting pulse nor room for dramatic emphases. Their leader's tone, excellent for spinning a cultivated line, lacked depth here. It was better found in Schuberts' great A minor quartet, lyrically crepuscular, and indeed all the players had distinguished moments in that haunted work, where they allowed themselves more freedom.

Nevertheless, the expressive climate remained very temperate, as if restrained by a prudent thermostat. The grand breadth of the Schubert was merely suggested, not vitally realised. One might conclude that these musicians are not primarily interested in *performing*, in the vulgar full sense – though jet-lag might have been the only problem this time. But I felt too unconfident that their Mendelssohn and Dvorák on Sunday would rise to more exciting heights to feel like taking my streaming cold back to the Wigmore to find out.

David Murray

Anne-Sophie Mutter

There are few soloists who command such respect in the profession that their audiences are made up of other musicians. On Friday at the Barbican Hall the picture at the cloakroom told its own story – staff having to deal with not only a capacity audience, but also dozens of violin cases being deposited by their owners for safe-keeping.

The violinists in the audience, student and professional, had come to hear Anne-Sophie Mutter. As her last solo appearance in London memorably showed, she is an enthralling recitalist. It is fairly safe to say that there is no other violinist active today who can approach the range of colours which she can draw from the instrument and that feature of her playing alone is enough to hold an audience spellbound.

In the fragmented, quickly changing sound-world of Lutoslawski's *Partita* the effect was dazzling. This is a work with which Mutter has become closely associated, as Lutoslawski has made for her a newly-composed orchestral version of the score, but she brought to this performance of the original *Partita* with piano so kaleidoscopic a spread of tone colours that no orchestra was needed. From the first note each phrase spoke with its own character. The slightest wisp of melody sang; the briefest motif asserted itself.

> 'No other violinist active today approaches such a range of colours'

The late C Major Fantasy of Schubert opened with playing at the other extreme, a blissful calm, devoid of tension, long phrases floating on a soft breeze of tenderness. The slow movement is a set of variations on the song "Sei mir gegrüsst" and it is difficult to imagine any vocalist singing the music more beautifully.

In some of her recent recordings Mutter's way with classical composers has been in danger of sounding over-ripe, but that was not the case here, either with the Schubert or Beethoven's "Kreutzer" sonata. It may be that close microphone placing does her playing an injustice. In the hall, her vigorous attack in the Beethoven, the scale, the wealth of colours, all sounded in proportion and matched, too, by her imaginative accompanist, Lambert Orkis, who is better-known in this country for his work on period instruments.

There were two encores: the first – the arrangement by Heifetz of Debussy's "Beau soir" – was sheer enchantment, shimmering nocturnal beauty.

Richard Fairman

Barbican Celebrity Recital Series runs until June (Box Office 071-638 8891)

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE

Deutsche Oper The main event this week is the first night on Sat of Götz Friedrich's new production of Der Rosenkavalier, conducted by Jiri Kout and designed by Gottfried Pilz and Isabel Ines Glathar, with a cast including Karan Armstrong, Yvonne Wiedstruck and Kurt Rydl (further performances Feb 17, 21, 24, 28, March 7). Tomorrow: Gwyneth Jones song recital. Wed: ballets by Balanchine and Béjart. Thurs: Cosi fan tutte. Thurs: Peter Schaufuss's production of Giselle. Sun: Balanchine evening (341 0249)

Staatsoper unter den Linden Tiziana Fabbricini, Sergei Larin and Sherrill Milnes head the cast in a revival of Tosca opening on Sat (repeated Feb 17, 20, 24, 27). The repertory also includes a Carl Orff ballet double bill tonight, Fidelio tomorrow with Eva-Maria Bundschuh, Reiner Goldberg and Hans Tschammer, Giselle on Wed and Die lustigen Weiber von Windsor on Sun. Next Mon: new studio production of Martinu and Hindemith double bill (200 4762)

Komische Oper Tonight: Die Zauberflöte. Tomorrow: Eine Nacht in Venedig. Wed: Prokofiev's ballet Romeo and Juliet. Thurs: Yakov Kreizberg conducts orchestral works by Brahms and Shostakovich, with violin soloist Dmitri Sitkovetsky. Fri: Cav and Pag. Sat: Rienzi. Sun: Bartered Bride (229 2555)

CONCERTS

Schauspielhaus Tonight: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Stravinsky, Nielsen and Sibelius, with clarinet soloist Sabine Meyer. Wed: Georgian Chamber Orchestra plays works by Mozart and Paganini. Fri: Manfred Honeck conducts Berlin Radio Orchestra in works by Rakhmaninov and Richard Strauss (2090 2156)

Philharmonie Tonight: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra and Chorus in Mahler's Second Symphony. Wed: Alfred Brendel piano recital. Thurs (in Kammermusiksaal): Berlin Baroque Orchestra. Fri: Gregor Buehl conducts BRSO in works by Prokofiev, Chopin and Schumann. Sun: Stefan Sanderling conducts Potsdam Philharmonic in concert performance of Kienzl's 1895 opera Der Evangelimann. Next Mon: Anne Sophie Mutter (2548 8232)

THEATRE

Gisela May stars in a revival of Gerhart Hauptmann's 1893 tragic-comedy Der rote Hahn (Red Rooster) daily at **Renaissance Theater** (312 4202). **Schiller Theater** repertory includes Racine's classical tragedy Britannicus, directed by Wolfgang Engel, and Maxim Gorki's play The Wrong Change (312 6505). **Schlosspark Theater** has Dürrenmatt's The Visit directed by Alfred Kirchner (793 1515). Cole Porter's musical Anything Goes can be seen daily except Mon at **Theater des Westens** (3190 3193). **Schaubühne** repertory includes Botho Strauss's Schlusschor, Jakob Lenz's Catherina of Siena and Alexander Vampilov's Last Summer in Chulimsk, a 1972 play about Soviet stagnation under Brezhnev (890023). **Berliner Ensemble** has Peter Palitzsch's new production of Peter Turrini's comedy Grillparzer im Pornoladen (282 3160)

GENEVA

Carlo Rizzi conducts Werner Schroeter's production of Luisa Miller tomorrow and Sat at **Grand Théâtre** (also Feb 17 and 21), with a cast led by Kallen Esperian, Thomas Allen and Neil Shicoff. Lucia Popp gives a song recital next Tues (311 2311). Felicity Lott is soloist with Orchestre de la Suisse Romande on Feb 19 at **Victoria Hall** (311 2511)

MILAN

Teatro alla Scala Tonight: Riccardo Chailly conducts Messiaen's Turangalila Symphony. Tomorrow, Fri, Sun, next Tues: Marcello Viotti conducts Pier'Alli's new production of Beatrice di Tenda, with Cecilia Gasdia and Lucia Aliberti alternating in the title role. Thurs and Sat: John Cranko's Onegin with Carla Fracci (four more performances next week). Next Mon: Claudio Abbado conducts Berlin Philharmonic. Feb 22: Maurizio Pollini (7200 3744)

NEW YORK

OPERA/DANCE

Metropolitan Opera Tonight: Les Contes d'Hoffmann with Domingo (also Sat afternoon). Tomorrow and Sat evening: Il trovatore with Aprile Millo, Nicola Martinucci and Vladimir Chernov. Wed: final performance this season of Meistersinger, with Donald McIntyre, Hermann Prey, Ben Heppner and Karita Mattila. Thurs: Der Rosenkavalier with Mechthild Gessendorf and Susanne Mentzer. Fri: first performance this season of Cav and Pag, with Waltraud Meier as Santuzza and Ermanno Mauro as Canio (362 6000)

State Theater New York City Ballet's repertory performances continue daily except Mon till Feb 21. This week includes Balanchine's production of A Midsummer Night's Dream on Wed and Sun. Feb 24-March 7: Bavarian State Ballet (870 5570). Feb 23-March 7 at City Center: Joffrey Ballet (581 1212)

CONCERTS

Carnegie Hall Tonight: Philippe Entremont is conductor and piano soloist with Vienna Chamber Orchestra. Tomorrow, Wed, Thurs: Shirley Bassey. Feb 16-18: Solti conducts Vienna Philharmonic Orchestra (247 7800)

Avery Fisher Hall Tomorrow: Erich Leinsdorf conducts New York Philharmonic Orchestra in works by Weber, Britten and Richard Strauss. Wed: Stanislav Skrowazcewski conducts Juilliard Orchestra in works by Barber, Beethoven and Ravel. Thurs, Fri, Sat and next Tues: Valery Gergiev conducts NYPO in works by Tchaikovsky, Scriabin and Brahms, with piano soloist André Watts. Sun afternoon: Jean-Pierre Rampal flute recital. Sun evening: André Previn Trio (875 5030)

TURIN

This month's productions at the **Teatro Regio** are Manon Lescaut and Falstaff. The Puccini is staged by Hugo de Ana and conducted by Tiziano Severini with a cast led by Norma Fantini and Giuseppe Giacomini (next performances Wed and Sun, also Feb 17, 20, 23, 25, 27). The Verdi, which opens next Tues and runs till March 7, is staged by Lluis Pasqual and conducted by Bruno Campanella, with Leo Nucci in the title role (8815 241)

VIENNA

OPERA

Tonight's performance at the **Staatsoper** is Der fliegende Holländer, with Monte Pederson and Luana DeVol. Tomorrow and Fri: Maria Stuarda with Alicia Nafé and Nelly Miricioiu. Wed: Giselle. Thurs: Tosca. Sat: Die Zauberflöte. Sun: Die Fledermaus (51444 2955). Heinz Karl Gruber's new opera Gomorra can be seen tonight at the Volksoper. The repertory also includes The Merry Widow, Les Contes d'Hoffmann and Evgeny Onegin, all sung in German (51444 2959). Feb 17 at **Kammeroper**: new production of Shnitke's Life with an Idiot (513 6072)

CONCERTS

Kurt Rapf conducts Vienna Sinfonietta on Thurs at the **Musikverein** in works by Mozart, Wimberger, Ravel and Hindemith. Sun afternoon: Isaac Karabtchevsky conducts Tonkunstler Orchestra in works by Shostakovich and Bruckner. Next Tues: Alfred Brendel. Feb 17, 18, 21: Wolfgang Sawallisch conducts Vienna Symphony Orchestra (505 8190)

THEATRE

Claus Peymann directs the world premiere of a new Peter Turrini play, entitled Alpenglühen, at the **Burgtheater** on Feb 17. This week's repertory at the **Burgtheater** (51444 2218) and **Akademietheater** (51444 2959) includes plays by Feydeau, Goldoni, Dürrenmatt and Brecht. **Theater in der Josefstadt** (402 5127) has Shakespeare's Taming of the Shrew and a new production of Schnitzler's Liebelei. **Volkstheater** (932776) has a new production of Shakespeare's As You Like It opening on Sun. Vienna's **English Theatre**, Josefsgasse 12, has Shaw's Misalliance, daily except Sun (402 1260)

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Samuel Brittan

An alternative to the 'Group of Seven'

Too many hopes have been invested in the "Group of Seven" – that is, the UK forecasters who are to meet regularly to provide the Treasury with alternative views of the economic prospects.

It is better than nothing and will be helpful for those of us who use rather than create economic numbers. Nevertheless the concentration of the so-called "new Treasury openness" on this group is a symptom of the prevalence of old-type thinking. As excessive reliance on forecasts (not just Treasury ones) is in part responsible for present predicaments, it is unlikely that more of the same will provide a cure. Moreover, the attention paid to the group encourages the delusion – prevalent among businessmen as well as policymakers – that economics is all about forecasting. In fact, many Nobel prize-winners in the subject have never made a short-term forecast.

There is an innate human desire for crystal-gazers. Yet the real art of policy-making is to be able to respond to events. The role of research is to help devise institutions which will promote good performance and provide a degree of automatic stabilisation.

An alternative path for opening up policy-making has been provided by the Swedish prime minister, Carl Bildt. He has appointed the distinguished economist, Professor Assar Lindbeck, to head a small commission to report in a very few months on new directions for Swedish policy. Whether or not the commission's report contains medium-term projections, the emphasis will be on analysis and measures.

There are some striking similarities between Sweden and the UK. Sweden too has been without a policy anchor since it stopped shadowing the European Currency Unit, after a much more impressive defence than any put up for the exchange rate mechanism in Britain. Sweden too has, under its minority right-wing government, tried to break with its Social Democratic past by putting more emphasis on competition and the private sector.

Carl Bildt: seeking consensus

But Sweden has had a much more severe recession than Britain. It also resembles the UK in adopting an inflation target to replace the ERM anchor. The strong contrast is that the Riksbank has full authority to get on with the job.

A different path for opening up policy-making has been provided by the government of Sweden

The purpose of appointing the Lindbeck commission is to give advice which is clearly independent of both the official and the party machines. It was decided after discussions between Mr Bildt and his finance minister, Mrs Anne Wibble, without consulting the Finance Ministry at all.

One difficulty of following this route in the UK is that there is no outstanding economist, combining theoretical and practical flair, who would be respected by, say, 80 per cent of economic opinion for such a task. Mr Bildt hopes that proposals from the Lindbeck committee will command greater assent than any from the government alone, but he is not committed in advance.

The Swedish government deserves attention for much wider reasons. The most forthright experiments in market economics are now taking place in two rather unlikely places – Sweden and the Czech Republic. The Czech prime minister, Mr Vaclav Klaus, has said that the supposed "third way" between capitalism and socialism is the quickest route to the third world. Mr Bildt says the same in different words.

The Swedish third way collapsed partly because of the weight of taxation required to pay for its welfare state. It also suffered from the attempt to run too tight a labour market and maintain competitiveness by a series of devaluations.

When the Swedish prime minister says that "growth will only come about as a result of policies of deregulation, privatisation, increased competition and lower taxes", he sounds like the British government of the 1980s. But there are notable differences as well. Unlike Lady Thatcher, Mr Bildt does not regard consensus as a dirty word; he managed to secure from the opposition Social Democrats, unions and employers support for the earlier measures to defend the krona.

The consensus was shattered when the new budget made inroads into the welfare state, including some trimming of unemployment benefit and the age at which pensions could be paid. The size of the Swedish budget deficit – at nearly 14 per cent of GNP, higher than Italy's and Greece's – made action imperative. Unlike even the Thatcherite Tories, the Swedish government is determined that the budget deficit should be cut entirely by expenditure curbs and not by tax increases.

This determination can hardly be regarded as extreme when taxes account for some 57 per cent of GDP, among the highest in the western world. Indeed, Moody's Investor Services has just made a slight cut in the country's debt rating, which has made the government all the more concerned to persevere with its strategy.

Surgery plans lead to complications

The government faces a tough decision, even if it does not close London hospitals, says Alan Pike

Mrs Virginia Bottomley, UK health secretary, has vowed that the government will not shirk tough decisions when it responds this month to recommendations for widespread hospital closures in London.

She is right that it will have tough decisions to make, but they may not be the ones she originally intended.

As a cabinet committee prepares to finalise its position this week, some ministers are fearful of provoking a repetition of the public uproar that followed the announcement of the pit closures. They are therefore shying away from shutting world-famous hospitals – as recommended by Sir Bernard Tomlinson in his report on the future of London healthcare, published last October. A rejection of his plan to eliminate 2,500 hospital beds in the capital would, however, simply be exchanging one set of tough decisions for another.

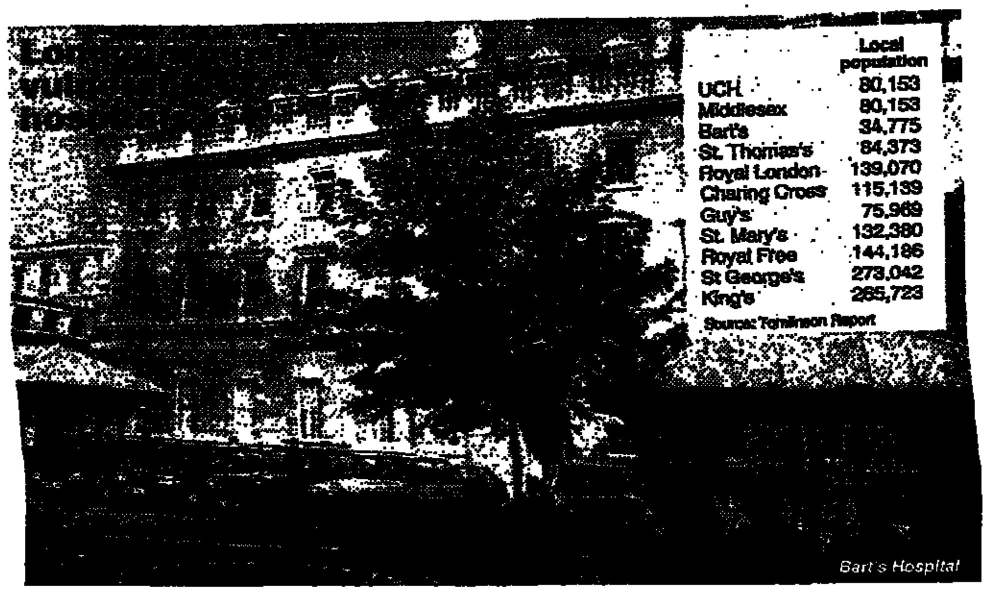
The internal market set up by the 1991 health reforms has led to a loss of patients from inner London's teaching hospitals to local ones in outer London and the home counties. If ministers abandoned Tomlinson, they would have to decide how to handle a financial crisis in the capital's hospitals, and face serious questions about their commitment to a market-based health service.

The government's attack of doubt reflects concern raised by a series of public campaigns to save individual hospitals.

All have been overshadowed by the fight to save St Bartholomew's hospital in the City, the most ancient institution on the closure list. In campaigning terms, it has been a brilliant, sustained exercise, even though staff at other hospitals regard the Bart's campaign as elitist and emotional.

"It has lacked nothing except artificial snow and a violin," commented one senior manager at another hospital. It needed neither. Instead, the Lord Mayor of London visited Mrs Bottomley to plead for Bart's; the Duke of Gloucester made a rare intervention in the House of Lords on its behalf; there were services in St Paul's Cathedral; and an international brigade of alumni has written to the rescue.

But the power of the Bart's campaign presents the government with a dilemma. The health reforms introduced in 1991 were intended to produce a more rational decision-making structure to the National Health Service, based on market principles rather than short-term political priorities.



	Local population
UCH	80,153
Middlesex	80,153
Bart's	34,775
St. Thomas's	84,373
Royal London	139,070
Charing Cross	115,139
Guy's	75,969
St. Mary's	132,380
Royal Free	144,186
St George's	273,042
King's	265,723

Source: Tomlinson Report

Bart's Hospital

A decision to reprieve Bart's would look like capitulation to the campaign with the most political and media clout, rather than, for example, to those run by Charing Cross or St Thomas' hospitals. The message to the rest of the reformed NHS would be that political anxieties and vested interests can still beat the market.

Another worry for ministers concerns the as-yet unquantified capital cost of a huge reorganisation – Sir Bernard was not asked to produce a detailed financial analysis of his proposals. In the 1980s, the sale of prime central London hospital sites like the Middlesex and St Bartholomew's would have funded new primary and community health centres, as well as redundancy payments; the current state of the property market means that this is unlikely today.

Tomlinson's report was not the first to recommend change to London's hospital structure. About 20 others have been published in the past 100 years but, in the face of hostile public and professional opinion, little has happened.

The public does not like hospital closures. Arguments to justify them – based on changes in patient flows, service provision, lengths of stay and medical technology – are often dense. They cannot compete with the instinctive, lay counter-argument that it must be wrong to close famous institutions dedicated to the saving of life.

The latest restructuring attempt, however, began more promisingly for proponents of strong action than many previous ones. The Tomlinson inquiry was timed to report just after the general election, in the period of a government's life when tough action stands most chance of being taken.

Its central recommendation is that resources be shifted from hospital beds to the capital's relatively poor-quality family doctor and community services. Critics worry whether, in the present state of public spending, the government will invest enough in local services to make Tomlinson's vision work. But the principle of shifting resources is widely endorsed.

Expensive beds in London teaching hospitals are regularly taken by elderly patients: even when their medical treatment has been completed, they cannot be discharged because of deficient community facilities. Nearly half the capital's family doctors work from substandard premises.

In a political bonus for the government, the British Medical Association and Royal College of Nursing endorsed the principle of hospital closures, although many of their members' jobs would disappear.

If the government were now to back away from the large-scale closure programme, it would still have to provide funds for London's teaching hospitals. This financial year, they will receive a £50m subsidy. Health authority members in areas of the country with growing populations – and marginal Conservative constituencies – are complaining that their districts are underfunded because of over-provision in London.

Mr Peter Fairey, chief executive of the Royal London hospital, was administrator of North East Thames regional health authority in the early 1980s, and took part in an earlier examination of hospital provision in inner London.

"We came to similar conclusions to Tomlinson," he says. "There had been another exercise in the early 1970s and that came to similar conclusions as well.

"The scale of the problem changes every time decisions are avoided, but people who study the issue always conclude that London cannot justify or sustain its present number of hospitals."

Ms Virginia Beardshaw, director of the London initiative of the King's Fund health policy unit – which also favours shifting resources from hospitals to community services – says: "The government is between the devil and the deep blue sea. It faces political concerns about hospital closures on the one hand, and the continuing financial problems of the hospitals on the other."

Those ministers who fear that hospital closures threaten fresh political turmoil will argue for the deep blue sea, where things at least have a chance of drifting. Mrs Bottomley could make a statement of principle this month, leaving firmer decisions until later in the year when reviews of the allocation of specialist services in London have been completed. With a little dust on its cover, the Tomlinson report could soon look indistinguishable from its 20 unimplemented predecessors.

Many of the London teaching hospitals, however, are in an even weaker financial position than their managers admit. Health authorities in outer London and the home counties have made it clear that they prefer to treat patients locally, and this trend is likely to increase as contracts for treatment – based on established service patterns in the early years of the NHS reforms – become more flexible.

Sir Bernard's report leaves no doubt about what he thinks would happen if his recommendations were shelved. "Change is inevitable, owing to the forces of the internal market highlighting inequity and inefficiency in the present distribution of hospital facilities. If this change is not managed firmly – and in certain cases, urgently – the result will be a haphazard deterioration in health services in London." That deterioration would mean bed closures and cancelled operations – and it would be exacerbated by the current tight public spending pressures on the NHS.

The government may fear the political repercussions of announcing hospital closures now. But if Mrs Bottomley's tough decisions are deferred, the financial position of the London hospitals is likely to worsen every year, and reach crisis point before the next general election – when the political pressures would be even more acute.

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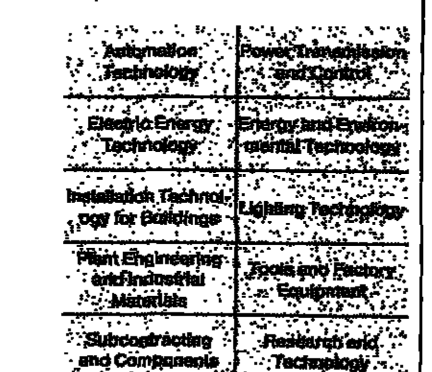

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LETTERS TO THE EDITOR

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No case for central bank freedom

From Sir Bryan Hopkin and Sir Douglas Wass.

Sir, Apart from the personal criticisms directed at ourselves, the three letters which our arguments (Personal View, January 22) provoked make only two counter-arguments.

First, a non-political monetary authority would constrain the government in the field of taxation and expenditure (P W Bloomer, January 25); second, it would convince the markets that price stability would be maintained (Alan Beith, January 26).

The first point has been demonstrated to be patently untrue in the case of the US, where fiscal deficits have run unchecked for a decade despite an independent Federal Reserve. But if the proposition were true, it implies that your correspondent thinks that it would be a good thing if the Bank of England indirectly controlled fiscal policy. This is an idea we have not previously encountered.

The second point is equally unsupported by the evidence. It resembles the now-discredited argument that Britain's joining the EMS would convince the markets that price stability would be secured.

Markets are impressed by experience rather than by the mere fact of institutional change. If we had a government whose policies revealed a lack of commitment to opposing inflation, the markets would not be comforted by an independent central bank, and if conflict ensued that would itself be bad for confidence and economic stability.

Mr Beith also clearly believes that it is possible to defeat inflation without generating unemployment. This too flies in the face of recent experience. It may be that in the long run we shall be able to establish an environment of wage and price restraint in conditions of high employment, but that happy conjuncture does not obtain now, and it is difficult to see how the establishment of an independent central bank would bring it about.

Bryan Hopkin,
Douglas Wass,
The Reform Club,
Pall Mall, London SWIY 5EW

A surfeit of importers – and a paucity of UK manufacturers

From Mr Mark Adams.

Sir, Mr Dantzic (Letters, February 2) and the manufacturing sector may be interested to learn of our experience.

We are the UK arm of a German furniture company. Since September 16 1992 we have been approaching British companies in order to subcontract the manufacture of certain steel and aluminium products.

We are stupefied. Despite the fact that all of the companies approached are still in business, we have not received a response to 30 per cent of our letters. A further 20 per cent had to be sent a second letter before a response was received. One respondent stated: "We won't make you a sample in case you take the business elsewhere." Prices have occasionally been preposterous, and the quality of samples – where available – is normally poor. Our products are simple and do not require high technology machinery for their manufacture. We agree that there is a surfeit of importers.

Is the sector really devoid both of adept finance directors and willing production directors?

Mark Adams,
managing director,
Vitsoe UK,
189 Bermondsey Street,
London SE1 3UW

Contracting out: the legal cases favouring employers, and an alternative solution

From Mr Michael Ivens.

Sir, John Willman and David Goodhart state in "Contracting out policies face further trouble" (February 3): "The leading employment QC, Mr Patrick Elias, has advised the local authorities' association that the EC directive is likely to apply in most cases where a service is contracted out". They then say that an amendment to the regulations now passing through parliament will make this absolutely clear.

It would be vulgar to play the game of "our QC is more leading that yours", but certainly a very leading QC has advised the contract cleaning industry quite differently – resulting in something like 40 legal cases brought by the trade unions arguing for the interpretation of "Transfer of Undertakings" having been defeated in favour of the employers. And the address of the attorney general to the parliamentary committee made it clear that contracting out services will be legally taken on their merits.

Michael Ivens,
director,
Aims for Industry,
40 Doughty Street,
London WC1N 2LF

From Mr John Sheldon.

Sir, Your report of government advice on contracting out of public services ("Caution on 'grey area' in tendering", February 4) illustrates that ministers have finally been forced to accept that the Transfer of Undertakings Regulations (Tupe) and the EC Acquired Rights Directive *do* apply to the market testing and compulsory competitive tendering programmes.

After months of public service minister William Waldegrave and employment minister Michael Forsyth frantically denying any such thing (a "red herring" was how they described Tupe), we now have the ridiculous spectacle of the government advising departments to seek legal advice on every market test. With hundreds of market tests, just how much is this likely to cost the taxpayer? Desperate to find some face-saving formula for the legal ostriches of the department of environment's compulsory competitive tendering team, all ministers can manage is an enormous job creation scheme for lawyers.

There is a straightforward solution to the government's problem: cancel the market testing programme or, failing that, issue instructions to departments that all invitations to tender should specify that Tupe applies.

John Sheldon,
acting general secretary,
NUCPS,
124/130 Southwark Street,
London SE1 0TU

A war time lesson for funding large PSBR

From Prof Brian Tew.

Sir, The last time the UK had the problem of funding a very large public sector borrowing requirement was during the second world war. A crude adaptation of war-time funding techniques to the circumstances of today would be as follows:

1) Keep open a gilt-edged tap with yields that the government would pledge not to increase, so that investors would have no incentive to delay purchases in the hope of a better yield later on. (In the war the gilts tap yield was set at 3 per cent: obviously it would now have to be set more or less in line with present market rates).

2) Keep base rates and money market rates on average well below the yields on tap gilts, so as to make gilts an attractive investment.

3) To deter the banks from unduly monetising the national debt (which would be a profitable operation with long rates higher than short rates and no likelihood of them increasing) subject each bank to a call of special deposits equal to, say, half its net investment in gilts. (In this way special deposits would play much the same role as war-time Treasury Deposit Receipts.)

An obvious disadvantage is that the authorities' control over the broad money stock would probably be even more precarious than hitherto. Its obvious advantage is that it's one way of selling a lot of gilts.

Brian Tew,
external professor,
University of Loughborough

FINANCIAL TIMES
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Monday February 8 1993

The US and Bosnia

WITHIN THE next few days the Clinton administration has to take its first big foreign policy decision: how to respond to the Vance-Owen peace plan for Bosnia-Hercegovina, which has the support of the EC and, not insignificantly, of Russia. The plan has had a bad press in the US, not helped by the arrogant and abrasive manner in which its British co-author, Lord Owen, has been presenting it. There are in fact good reasons for objecting to it, both of principle and of pragmatism.

The principled objection is that the plan partially ratifies the territorial gains which the Serbs have achieved by "ethnic cleansing", and virtually dismantles a state and government which the international community has recognised as legally sovereign. The pragmatic one is that the plan will be diabolically difficult to implement. On past form the Serbs will not willingly relinquish either territory or weapons, whatever pieces of paper they sign; and the Bosnian army will be equally reluctant to give up territory it holds in north-eastern Bosnia.

Thus it is clear that even if the plan is formally accepted by all three parties, significant external forces will be needed on the ground to implement it; and this could not be a pure peacekeeping force in the classic UN tradition, authorised to fire only in self-defence. It would need a mandate to use force to reimpose the cease-fire, in cases where one or more of the parties on the ground was failing to abide by its terms.

European leaders believe that such a force would be credible only if the US took part in it. This fact has been used by those arguing against the plan in the US. Few American politicians, and even fewer military leaders, like the idea of exposing GIs to such risks.

Yet it is a disingenuous argument when used by people who claim to espouse the Bosnian cause. If the US rejects the plan, or sticks to its initial position of being prepared to support the plan only if it is accepted by all three parties, the Moslems will take that as a promise of US support for them, and hold out for better terms. The question is, what form would that support take?

A popular answer in some circles in Washington is that the arms embargo should be lifted so that the Bosnians can fight their own battles. That sounds good as a rhetorical position, but would be a very poor way to help the Moslems if in fact the Serbs and Croats once again got the lion's share of the weapons.

Some would go further and use US air power to compensate for Serb superiority in heavy weapons. Such a policy would certainly not be sanctioned by the Security Council, given the Russian veto.

The US's desire to avoid risks to its own troops is understandable, as is its reluctance to endorse the Vance-Owen plan. Yet the only alternatives are riskier, both for the Bosnians whom the US wishes to help and for the wider peace of Europe.

Dutch courage

THE COLLAPSE of Daf has brought the UK's political left and industrial right into a not unfamiliar alliance. The Dutch and Flemish authorities, it is said, have been prompt in offering Daf financial and moral support. The UK has done nothing. As a result, Daf UK may go under while the rest is saved. This typefies the dogmatic incompetence of a government which says it wants a new approach to industrial policy but is impotent when the chips are down.

While this is understandable enough in emotional terms, it leaves a number of awkward questions unaddressed: in particular, whether Daf is worth saving in its present form. The answer seems sadly obvious. As Europe's sixth biggest truck maker, Daf aimed to match its rivals' product range on a much smaller sales base. It was also unduly dependent on the UK market. In 1991 Daf's manufacturing business made a loss equal to some 40 per cent of its shareholders' funds. In 1992 it seems to have lost the remainder.

In book-keeping terms, the company is thus virtually worthless. Meanwhile, the UK market is barely recovering and the rest of Europe is still in decline. It is a truism to say that if enough money were pumped in, Daf could keep going. Whether that would be a sensible deployment of scarce economic resources is quite another matter.

Nor is it clear that the UK government was incompetent, as opposed to obdurate, in its handling of the situation. The Department of Trade and Industry was scarcely unaware of what was happening; indeed, it turned down an appeal from Daf for £450m of state aid less than a year ago.

The question of whether the UK should have a more interventionist industrial policy is a legitimate topic for debate. Commercial lost causes like Daf, though, do little to further it; particularly when – as in the case of Leyland Daf – they have already consumed some £600m of taxpayers' money during 12 years of public ownership. That the Dutch authorities should view things differently is scarcely a matter for surprise. Any government which chooses to support commercial misjudgments on the scale of those at Phillips, for example, plainly takes a broad view of economic utility.

But all this leaves out of account the question of what will happen to the assets themselves. There is supposedly a plan afoot to put the Dutch and Flemish parts of Daf together, leaving the UK business to its own devices. Some parts at least of the UK operation would doubtless then have to close; but that might have happened anyway. There will presumably be competition to buy at least the Leyland truck plant, which has a not insignificant total of 2,200 employees. If it is bought by a large and commercially viable competitor, those 2,200 will in all probability be better off in the long run than their publicly supported Dutch and Flemish colleagues.

Mr Smith's task

AFTER AN inexplicable period of delay, and following much throat-clearing and shuffling of the feet, Mr John Smith has at last begun to lead the Labour party. His speech to Labour's local government conference in Bournemouth yesterday places him in the camp of the "modernisers", those who believe that the party must find a fresh set of policies if it is to stand a chance of avoiding a fifth election defeat in 1996 or 1997.

The "traditionalists", have been given short shrift. Mr Smith has clearly learned the lesson of two national case-histories: in Britain Labour has lost four times in a row because it did not keep in tune with the aspirations of ordinary people; in the US the Democrats won last November because President Bill Clinton understood what those aspirations were, and shaped his campaign accordingly. It is plain that Mr Smith has drawn the correct conclusion. Parties that look as if they represent the old left do not stand a chance in either country; parties that restructure themselves and adapt their programmes to changing circumstances can still realistically hope to succeed.

It is perhaps for this reason that Mr Smith used the words "new" and "renewal" no less than 25 times in his 37-minute speech. He signalled the abandonment of Labour's plans to renationalise some of the utilities. The party's acceptance of the mixed economy was given a new twist, with a call for partnership between "dynamic markets and active government". The needs of the individual were stressed; the powers of cabinets – the "elective dictatorship" – were to be circumscribed by a series of reforms. "Labour's goal," said Mr Smith, "must be about the advancement of individual people, about their ability to participate and their ability to prosper, which we believe can only be achieved in the context of a strong and supportive society."

One speech does not make a political resurgence. Mr Smith's Bournemouth address will fade from memory unless it is followed by radical deeds. Modernisation must begin with a restructuring of the party itself, to provide for one-member one-vote in all its counsels. Formal links with the trade unions must be severed. If nationalisation is to be abandoned, the relevant clause in the party constitution must be repealed. If a form of full employment is to be espoused even as a distant ambition, the "new economics" of which Mr Smith spoke must be shown to be practical when Mr Gordon Brown spells out the details. To be convincing, a programme of constitutional change must include electoral reform. Mr Smith's new Commission for Social Justice must not be allowed to ponder for too long.

The Conservatives have not lost their own capacity for radical change, as the government's long-term study of public spending shows. If Mr Smith is truly bold, a scheme to roll back the frontiers of the welfare state will emerge as a "new Labour" initiative. The idea worked well enough for Mr Clinton's "new Democrats".

The US economy is emerging from a protracted recession in leaner and fitter condition, writes Michael Prowse

A potential world-beater

It is time to junk much conventional wisdom about the US economy.

Until recently, most analysts assumed the recovery from recession would remain abnormally weak. And looking further ahead they assumed that the US would continue to decline economically relative to other industrial countries, principally Japan and a more unified European Community.

Both assumptions are now looking shaky. A clutch of much stronger than expected data suggests the US recovery is finally beginning to take off. And the economy that is emerging from recent structural upheavals is looking a potential world-beater.

Output per hour increased 2.7 per cent last year – the fastest productivity growth in 20 years. As Mr Alan Greenspan, the Federal Reserve chairman, told Congress recently, the post-recession economy is a "different animal": policymakers have to come to terms with the implications of a "dramatic" improvement in productivity, especially in the sprawling service sector.

With productivity increases translating into impressive gains in corporate profits, US share prices are hitting record highs and the dollar is beginning to climb relative to other leading currencies. For internationally mobile capital, the attractions of the US economy are enhanced by worse than expected performance just about everywhere else. Growth throughout Europe is being held back by the strains imposed by German unification and currency instability. Japan, meanwhile, is struggling with its worst financial crisis in decades.

President Bill Clinton shows few signs of appreciating his economic good fortune. He is not only inheriting a lean, productive economy, he is inheriting the most encouraging inflation outlook for a generation. Consumer prices are expected to rise by only about 2.5 per cent-3.0 per cent this year and next. And the figures could be even better if the 4 per cent productivity growth rate of the fourth quarter of last year is sustained.

Mr Clinton, however, continues to talk as though the recession were barely over and in his State of Union address on February 17 is expected to announced an economic stimulus worth about $30bn, or 0.5 per cent of gross domestic product. This is expected to be split roughly evenly between immediate increases in federal spending, to take effect this fiscal year, and an investment tax credit (plus other growth incentives) that would be backdated to last December.

He will also announce longer-term plans to tackle what he regards as two equally important deficits. The first is the familiar budget deficit, now running at about $300bn but expected nearly to double within a decade because of runaway growth of spending on healthcare and other "entitlement" programmes. The second is the "investment deficit", a reference to relatively low levels of public and private spending in areas such as education, training and infrastucture.

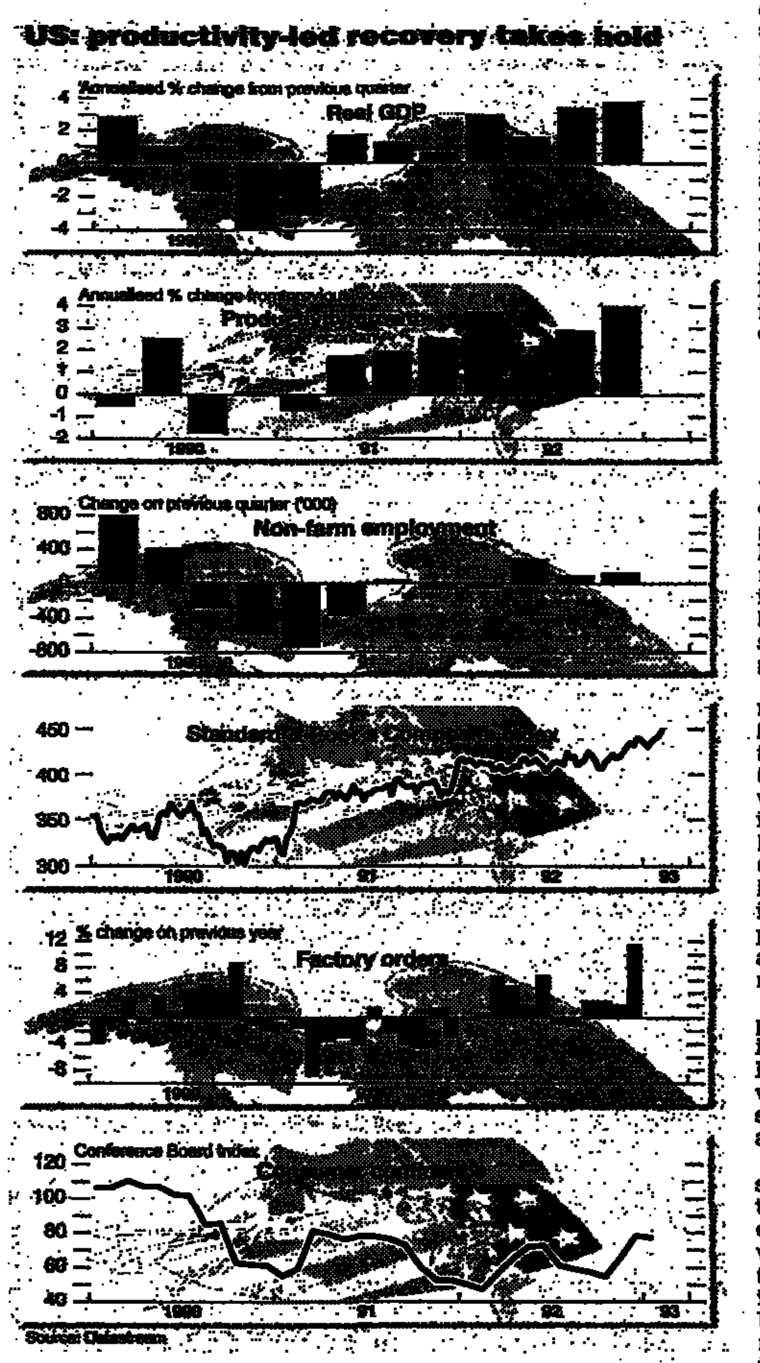
As Mr Clinton works on his economic strategy, the signs of accelerating growth are becoming too numerous to miss. Preliminary figures suggest real GDP grew at an annual rate of 3.8 per cent in the fourth quarter – the fastest pace since the Reagan "boom" of the 1980s and well above most analysts' projections. It followed growth at an annual rate of 3.4 per cent in the third quarter and constituted the seventh successive quarter of growth since the official end of the recession in the spring of 1991.

A host of other data supports the GDP figures, which some now expect to be revised up, rather than down. New orders for durable goods rose 9 per cent between November and December, one of the biggest increases on record. The index of leading indicators registered its biggest gain for nearly a decade in December. The Purchasing Managers' Index – a reliable barometer of conditions in manufacturing – surged to 58 per cent last month, its highest level since the summer of 1988. Home sales soared at the end of last year, reflecting the delayed impact of a sharp decline in interest rates.

The composition of the GDP figures, moreover, was unexpectedly encouraging. Growth did not reflect temporary factors such as a rebuilding of corporate inventories or a collapse in the personal savings rate. On the contrary it mainly reflected robust growth of consumption – supported by unexpectedly large increases in personal incomes. Corporate investment in plant and equipment and residential construction surged, mainly as a result of lower interest rates.

Mr Clinton is fretting, however, because the rate of job creation remains disappointing. On Friday, the Labour Department reported an increase in non-farm employment last month of slightly more than 100,000, about a third to a half the increase expected in a "normal" recovery.

Since the end of the recession, private-sector employment has been almost static – a startling turnaround after the creation of 21m jobs in the Reagan years. Public anxiety is being fuelled by a steady flow of job cuts at leading blue chip companies such as computer maker IBM, retail group Sears Roebuck, and car manufacturer General Motors.



But even the job outlook is not quite as bad as White House rhetoric would suggest. Friday's employment figures showed that the proportion of different industrial sectors hiring new workers has risen sharply in the past three months. The unemployment rate fell to 7.1 per cent. That is still higher than at the end of the recession and well above the 5.5 per cent "natural rate" – the rate reckoned to be consistent with non-accelerating inflation. But it is sharply down from a peak of 7.7 per cent last June and far less than European levels of about 10 per cent.

Officials are also worried that the recent upbeat numbers are overstating the economy's likely growth this year. Early figures for January show few signs of retrenchment: car dealerships and department stores are both reporting strong sales. However, the fourth quarter figures were distorted, for example by rebuilding after hurricane damage in Florida and by the bringing forward of bonuses in the securities industry to avoid higher taxes this year. Exports, resilient so far, could yet be hit hard by the sharp slowdown in many overseas markets.

Nor can Mr Greenspan's famous "headwinds" be forgotten. These structural factors, including cuts in defence, still high levels of personal and corporate indebtedness, glutted commercial real estate markets and restraints on credit supply to small business, remain potential drags on growth. The best that can be said is that a natural healing process seems well advanced.

Having failed to predict two previous "dips", the US forecasting fraternity thus remains understandably cautious. The consensus view is that the underlying growth rate is a solid 3 per cent, rather than the near 4 per cent rate of late last year.

The big question is whether the US economy is experiencing more than a cyclical rebound. With the defeat of the Republicans in the election, a debate about the economy's underlying strength is getting under way. In this year's Economic Report of the President, Mr Michael Boskin, chairman of President Bush's Council of Economic Advisers, dismissed "declinist" fears that the US is losing ground relative to other industrialised countries.

He claims that the US is more internationally competitive than it has been in decades and that it accounts for a larger share of the industrial output of the 24 rich members of the Organisation for Economic Co-operation and Development than it did in 1970. The share of US exports in GDP has risen rapidly to about 11 per cent against 8 per cent in 1987, reflecting the success of American companies in winning back market share overseas. Living standards, measured properly to reflect differences in internal prices, remain the highest in the world.

Mr Boskin is probably overstating his case: the revival of US exports, for example, was helped enormously by the dollar's depreciation since 1985. But something important did happen in the 1980s, partly as a result of an overvalued dollar: US industry suddenly woke up to the reality of foreign competition. Faced with higher quality, and usually cheaper, products from Japan and Germany, it began a fundamental reappraisal of work practices and business strategy.

The fruits were evident first in sharp gains in manufacturing productivity. According to OECD figures, productivity in US manufacturing rose by about 55 per cent between 1980 and 1991, compared with gains of less than 40 per cent in Germany and Japan. Manufacturers thus extended an already sizeable productivity lead relative to their rivals.

But inefficiency in the US service sector (which was absorbing huge numbers of baby boom workers) meant that overall productivity growth was only about a third of the average 1.5 per cent annual pace in industrialised countries. The importance of recent productivity numbers is that they suggest that the US service sector – which accounts for three quarters of value added – is now undergoing a restructuring akin to that of manufacturers in the 1980s. In the fourth quarter of last year, overall productivity actually grew slightly faster than manufacturing productivity, suggesting that service companies were improving their efficiency even faster than manufacturers.

Productivity always rebounds after recessions, so it is too early to be certain that a long-lasting transformation of services is under way. But it is certainly consistent with other trends, such as a shake-out of white collar jobs and heavy investment in computer technology.

The notion that US business in undergoing a renaissance of sorts is born out in other ways. The quality of US cars, for example, is greatly improved. Symbolically, the best-selling car last year was a Ford rather than a Honda. And while IBM's problems are typical of those of aged "national champions" everywhere, all of the young companies competing for its mantle – Microsoft, Intel and so forth – seem to be American. US capitalism has not lost its capacity for innovation.

The Clinton administration still faces formidable problems. Ms Laura Tyson, Mr Boskin's successor at the CEA, is justifiably concerned about the steady rise in inequality in the past decade and the rising numbers of full-time workers who cannot earn enough to keep their families above the official poverty line (a yardstick based on the income required to buy food and other essentials.)

The rise in inequality is real and it explains much popular discontent about the economy. The gap in income and wealth between the top 20 per cent-30 per cent of well-educated graduates and the rest of the population – Mr Clinton's "forgotten middle class" – seems to be growing relentlessly. Ironically, it may be partly a consequence of the US's successful adaption to the rigours of global competition.

Being internationally competitive means paying the going world rate for different factors of production; the problem for many US workers is that the going rate for low-skilled work is substantially less than what is required for a comfortable US life-style. The answer, as President Clinton argues, lies mainly in improving the education and training of workers at the bottom of the pile – an important requirement in addressing the so-called "investment deficit".

The other, depressingly familiar problem is the federal government's inability to balance its budgets. The latest projections suggest the deficit will stabilise at about $300bn (or slightly less) in the next few years and then rise steeply again.

In principle, this drain on private sector savings is easily stemmed: the deficit could be eliminated entirely over four or five years without imposing any measures that are not already commonplace in most other OECD countries. The US simply has to choose from a menu of unplatable options that includes: deeper cuts in defence spending, tougher controls on the price and volume of medical services, higher taxes on federal pensions, and a broad-based tax on energy or consumption, preferably both.

Mr Clinton's unofficial target is for annual budgetary savings of about $145bn within four years. This would enable him to project a deficit in his final budget of about $200bn. He is certain to raise the top rate of income tax and to cut defence spending, but his resolve on more controversial issues, such as a broad-based energy levy, has yet to be demonstrated. But if he can convince the electorate that everybody (especially the rich) is being asked to make a fair sacrifice, he may prove a more effective budget-trimmer than sceptics fear.

The deficit will remain a headache. But it is not enough of a drag to abort this private-sector led recovery. The productivity revival looks genuine and offers a real chance of sustained non-inflationary growth. The irony is that much of the credit should go to George Bush, who lost the election because he followed a classic piece of economic advice and chose to sit there rather than do something. The result was an agonisingly slow, but eventually solid, recovery.

OBSERVER

Object lessons

■ Why should one of the world's canniest fund managers seek advice on property investment from the central figure in the world's most spectacular property empire collapse?

Well, George Soros replied, he was excited that his new Quantum Realty property fund is to be advised by Paul Reichmann, whose abilities as a "developer and creator of values" are outstanding even though his Canadian-based Olympia & York business has been under bankruptcy court protection for the past nine months.

Take for example Reichmann's three real estate "grand slams" – the development of downtown Toronto in the early 1970s; taking a big stake in Manhattan property in 1977 at the bottom of the market; and the successful development of the World Financial Center in New York in the 1980s.

True, Soros conceded, there was also Canary Wharf in London's docklands, which helped to precipitate O&Y's collapse. But that "taught investors important lessons, which we intend to apply in the management of Quantum Realty". In particular: "If you pyramid your leverage [build up layer on layer of debt] eventually you are going to come a cropper."

While the new fund will buy mainly in North America, he added, it might also invest in Latin American markets and Europe, including London.

So might the line stretch to Canary Wharf, now in the hands of administrators? That, said Soros, was "rather a distant possibility," since the fund would not have sufficient money at its disposal.

Overkill

■ Whatever problems the BBC will face in its intense battle with commercial rivals in future, lack of strategic advice is not going to be one of them. Although thousands of jobs are likely to be axed, new BBC boss John Birt has earmarked one area for expansion – the policy & planning directorate, headed by newly promoted Patricia Hodgson.

The Beeb is advertising for: a chief adviser, commercial and business policy; a head of strategy evaluation; and a head of business information both reporting to a new chief adviser, corporate strategy. Such appointments make it increasingly hard to take seriously John Birt's vaunted war on BBC bureaucracy.

Butler Cox II?

■ Can George Cox, the former chairman of the Management Consultancies Association, recreate the same sort of magic at slumbering P-E International as he did at his old firm of Butler Cox, one Britain's leading information technology consultancies?

'There's nothing here on how to save the economy'

When an established firm of management know-alls, like P-E, has to go outside for a new boss, it is a sign that all is not well. Having gone public in 1986, P-E prospered in the boom, but has been unable to find the right formula for bucking the recession. The dividend has had to be cut and heads have rolled.

Enter George Cox, P-E's chairman since last May. He made a fortune selling his old company at a sky-high multiple to the Americans two years ago. Now he is trying to repair P-E. Having rejigged his board and put another new arrival, Peter Smith, in charge of P-E's management consultancy side, he is addressing the company's big weakness – its lack of a predictable and secure source of income.

Cox's latest wheeze, the P-E Centre for Management Research, sounds remarkably like one of his earlier bright ideas, the enormously successful Butler Cox Foundation, a self-help subscription club for large companies.

Membership will cost £20,000 annually, discounted to £15,000 for the first year, and medium-sized companies are being offered a cheaper rate.

The best ideas are usually the old ones, even in management consulting it seems.

Off your bike

■ Hard to remember the last time a politician resigned for falling off his collapsible bike. However, the bizarre case of Leo McLeay, Australia's parliamentary speaker, is one of those unforeseen incidents which just could tip Australia's forthcoming general election.

It was not the over-weight McLeay's fault that he fell off his Government-owned bike after he hit a pothole and broke his arm. But what has upset Australians is the size of the A$65,000 damages he won, and the speed with which they were paid out, especially since he controls the official department which he sued. No one suggests that McLeay has been dishonest. But it took a long time before the compensation payment was revealed and it has incensed Australians who feel they've been less well treated in accidents.

McLeay is a close ally of Prime Minister Paul Keating and his embarrassing resignation will only fuel complaints that after a decade in power the government has lost touch with ordinary Australians. Norman Lamont should take note.

Cuckoo

■ Do the Swiss have a sense of humour? Contrary to popular belief, occasional outbreaks of humour have been reported in Switzerland and the latest comes courtesy of the Hotel Schweizerhof Zuerich, one of Zürich's main business hostelries. It has started issuing foreign guests with a list of authentic Swiss jokes:

1. What fairy tale does a Swiss enjoy most?

His income tax returns.

2. A Swiss who had come into money announced: "At last I can afford champagne and caviar. All I've got to do now is learn to like them!"

Nevertheless, Observer still needs to be convinced that a sense of humour has taken firm hold in Switzerland. A bottle of the finest malt for any sign of Swiss humorous life capable of withstanding publication. Samples by mail or fax to 071-873 3926 – not telephone please.

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FINANCIAL TIMES
Monday February 8 1993

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US marines inspect the contents of wheelbarrows of Somali vendors at a checkpoint on the Green Line that divides the capital Mogadishu. The Green Line was the scene of conflict between rival clans on Friday and Saturday that left at least two dead and several wounded

EC leaders say Americans play vital security role

US reassures allies over commitment to Nato

By Edward Mortimer and Quentin Peel in Munich

MR LES ASPIN, the new US secretary of defence, sought to reassure his allies in Nato at the weekend that the Clinton administration's plans for troop cuts in Europe would not undermine its commitment to the alliance.

"Our intention to reduce our presence in Europe by the mid-1990s reflects the reduced threat environment in Europe, not any reduction in our commitment to Europe," he told senior government ministers, top diplomats and military officers attending the annual Munich security conference.

The defence secretary is expected to receive a report in Washington today on how the total US *military strength can be reduced* to 1.4m, instead of the Bush administration's target of 1.6m over the next five years. The number of troops in Europe is expected to be cut to a maximum of 100,000, instead of 120,000.

Mr Aspin was responding at the weekend to repeated urging by the European allies, led by German chancellor Helmut Kohl, for the new US administration to restate its security commitments, at a time of growing instability in eastern Europe.

While he stopped short of spelling out any details of the administration's foreign and security policy rethink, he insisted that his very presence in Munich should "demonstrate our determination to work with our European allies to meet the challenges of the post-cold war era".

Mr Kohl led the European cho*rus calling on the US to maintain* its commitments. "It is imperative that the US, mindful of the lessons from history this century, continues to play its central role in matters of European security," he said.

"It also requires that a substantial military presence should remain in Europe in order to meet the alliance's tasks now and in the future."

His words were immediately echoed by Mr Douglas Hurd, the British foreign secretary, who said: "It would be deeply foolish to let or encourage the Americans to go home, as foolish as it was in the 1920s when Adolf Hitler was simply an insignificant adventurer in this city of Munich."

The strains in the Nato alliance, and the anxious debate among the allies over how to redefine its role, dominated the meeting.

Mr Kohl repeatedly stressed the dangers of instability in eastern Europe, especially the former Soviet Union, requiring concerted action from all the western allies *to prevent new conflicts.*

However, he underlined the budget pressures on member states when he announced a new review of the troop strength of the German military, opening the possibility that it could be reduced below the present target of 370,000.

Bosnia mediators see hope of US support ....Page 2
Editorial Comment ...Page 11

White House rebuffs EC on timetable for Gatt talks

By Lionel Barber in Brussels

THE CLINTON administration has rebuffed European Community overtures seeking agreement on a timetable for an early conclusion of the Uruguay Round of global trade talks.

Sir Leon Brittan, EC trade com*missioner, made the soundings in* advance of this Thursday's opening round of bilateral trade talks to be held in Washington with Mr Mickey Kantor, US trade representative.

Brittan: tried to convey sense of urgency towards concluding talks

Mr Kantor's response was noncommittal – on the grounds that the new administration is still formulating policy – and therefore a blow to Sir Leon's attempts to convey a sense of urgency towards concluding the six-year-old Gatt talks.

Last week, Mr Arthur Dunkel, Gatt director-general, further dampened prospects for a rapid Gatt deal when he said that a breakthrough was unlikely to occur before March 1, the deadline for the US "fast track" negotiating authority.

According to officials in Brussels, Sir Leon was looking for a commitment that Mr Clinton would seek, if necessary, an extension of between three and six months to the "fast track" negotiating authority which allows the administration to offer a Gatt deal to Congress for approval or rejection without amendment.

Without such a tight negotiating framework, the risks increase of a Gatt package unravelling and an agreement being delayed until next year or later, an EC official familiar with Sir Leon's thinking said.

EC officials have now downgraded expectations of what can be achieved at the first meeting between Sir Leon and Mr Kantor, beyond "getting the chemistry right" and ensuring that the administration decides to make some form of Gatt agreement a top priority.

Beyond talks with Mr Kantor, Sir Leon is to meet Mr Robert *Rubin, an old Yale colleague who* is special assistant to the president on economic policy, as well as members of Congress, and possibly Mr Lloyd Bentsen, US Treasury secretary.

The two sides must also address two separate trade disputes which, while inherited from the Bush administration, have again flared up since Mr Clinton took office.

Relations soured this month after the new administration's preliminary decision to impose anti-dumping duties on steel exports from the EC and other countries. Last week the administration announced that the federal government would stop buying goods and services from EC countries unless the EC ended discrimination in public procurement contracts, including telecommunications.

EC officials think these bilateral disputes are best contained within the Gatt framework.

European steelmakers to discuss cuts

Continued from Page 1

work and conditions for a future rescue plan.

A complicating factor is how the Community plans to deal with EC *steelmakers' losses* caused by cheap imports from eastern and central Europe, and the growing dispute with the US following the Clinton administration's decision this month to impose preliminary anti-dumping duties on EC steel exports.

Sir Leon Brittan, EC trade commissioner, *has pressed member* states to consider granting a more generous market share for eastern European exporters, beyond the current 5 per cent. He would also like to see a more restrained approach to anti-dumping against the former communist countries, although EC *steelmakers are complaining that* cheap imports are driving up their losses.

Keating announces Australian election in March

By Emilia Tagaza in Melbourne

MR Paul Keating, Australia's prime minister, yesterday called a federal election on March 13 after his Labor party lost a state election in Western Australia by a smaller than expected margin.

By choosing to go to the electorate three months earlier than he had to, Mr Keating is seeking to capitalise on Labor's rise in popularity since he wrested the premiership from Mr Bob Hawke in December 1991. A Morgan Gallup poll, to be published in Time Australia magazine today, indicated that Labor would win by 5 per cent if the election were held now.

The announcement launched a *fierce political and personal bat*tle. Mr Keating, 49, was treasurer for eight years as Australia sank into its deepest recession since the 1930s. He is famous for vicious criticism of his opponents.

Mr John Hewson, the 47-year-old leader of the coalition of opposition conservative parties, is an economist who loves sports cars. The two men are known to detest each other.

In Western Australia, a scandal-ridden Labor state government, expected to lose by a landslide in Saturday's poll, suffered only a 5 per cent swing against it, with the opposition coalition increasing its share of the vote by just 2 per cent. It was the third time in a year that a Labor government had been unseated in a state election.

Mr Hewson said he could win the federal election because the Western Australian poll showed middle-class Australians desert*ing Labor. "I think with nearly* a million Australians unemployed and millions of others genuinely worried about whether or not they'll keep their job, the issue is going to be who is best able to manage this country," he said.

Australia's economy, which has begun to turn upwards, boasts an inflation rate of only 0.3 per cent but unemployment at 11.3 per cent.

Mr Keating said he would tomorrow announce an economic policy package designed to expand business opportunities and accelerate economic growth. Today he will outline a strategy to take advantage of trade opportunities in Asia.

Mr Hewson's economic strategy is centred on a value-added tax on consumption. Although it would be offset by income tax cuts, the VAT proposal has become the main target of government counter-attacks.

Mr Keating, whose policy as treasurer was to liberalise the economy by floating the currency and cutting tariffs and taxes, has sought to refocus Australia on its role in Asia and favours moves to lessen traditional ties with Britain. He warned voters yesterday that a conservative victory would threaten the national health system and labour relations.

Observer, Page 11
Australian bonds, Page 16

THE LEX COLUMN

Forging tighter bonds

UK fund managers have shown little enthusiasm for switching from equities into gilts at current yields. But one might reasonably wonder how much longer they will retain a free *hand. Actuaries are asking mature* pension funds to favour the more certain investment income from bonds. Having paid out too much in bonuses over the last three years, life assurance companies are equally under regulatory pressure to increase weightings in fixed-interest. Legal & General has argued this may already be changing the valuation relationship between bonds and equities.

Gilts might normally be expected to yield 2.3 times more than equities at this stage in the cycle. Without any change in long gilt yields of 8.5 per cent, the prospective yield on equities would have to fall below 4 per cent before institutions were tempted into bonds. That implies sharply higher share prices. But a yield ratio closer to 2 times – reflecting a greater institutional preference for bonds – would enable long gilt yields to settle at around 8.5 per cent this year, while *allowing for a modest rally* in equities.

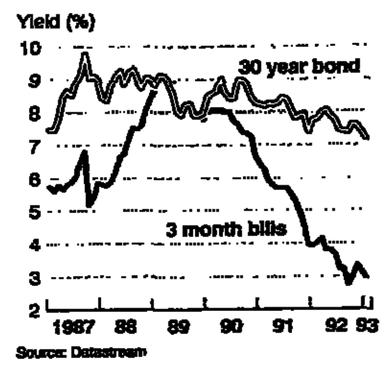
That may sound wishful thinking for a government worried about its funding problem, not least because the maturing of pension fund liabilities is a *slow, incremental* process. *Life com*panies are equally under less pressure to change investment strategy while equities are rising. Even so, the pension law review committee is expected to recommend a minimum solvency standard for pension funds this year. Actuaries may have little choice but to recommend a higher weighting in bonds.

US bonds

The US Treasury has given a hint of things to come in setting the amounts for auction in this week's quarterly funding. By cutting the amount of 30- and 10-year bonds on offer, it appears to be signalling a preference for funding at the short end of the *yield* curve where rates are cheaper. It may be several months before this is confirmed as official policy. But a move which might hold down long yields must seem doubly tempting in that it could reduce the residential mortgage rate and lift consumer confidence.

The trouble is that nothing comes *without a price. If lower supply pushes* long-term rates down, extra supply will quickly push short-term rates up by a similar amount. That will penalise companies which borrow in the

US government securities



Source: Datastream

commercial paper market as well as homeowners who have borrowed at variable rates. As the yield curve flattens, commercial banks would lose the windfall gained from using cut-price deposits to buy Treasury bonds.

Still bigger risks are that the Clinton administration will fail to curb the budget deficit and that recovery will eventually rekindle inflation. Then refinancing a swollen pile of short-term debt would prove expensive. The Treasury could rue the day it looked askance *at* 30-year money costing little more than 7 per cent. The *size of any fiscal stimulus and any* subsequent deficit reduction will have a larger impact on where yields finally settle than shifting borrowing down the yield curve.

Japan

The Japanese government's tactic of pouring public pension and postal funds into an overvalued stock market may not be great value for the ultimate beneficiaries, but then the authorities have more immediate concerns. Most attention has focused on the risk that commercial banks may be unable to meet their BIS capital adequacy ratios if the stock market falls much further. Yet while the *banks' capital is hardly generous and* their bad debt problems are large, fears of a severe credit crunch look overdone. With companies cutting stocks and reducing capital investment, loan demand is falling. Large banks which wish to top up their tier 2 capital can do so through subordinated debt issues.

The government is probably more worried about trust banks and second-tier life assurance companies. Some of these have virtually no unrealised capital gains left on their equity portfolios. A further drop in equities could leave them short of reserves. As returns on cash and bonds fall, they will struggle to maintain bonuses. Cuts in bonus rates would, however, *see further cash outflows to more* attractive savings products. The strains are already showing. Last week the life companies announced a cut in the discount rate they use to calculate long-term returns. Premiums will rise as a result. Daido Mutual Life Insurance is reducing its head office staff by 10 per cent. The Ministry of Finance may relax rules requiring life companies to write off foreign exchange losses on overseas bond holdings. With the rivets creaking, some smaller life companies really need that share support operation.

UK property

Property shares have had a good run in response to lower interest rates. The underlying market has been slower to respond. Perhaps equity investors sense a recovery in capital values down the road as well as enhanced yield attraction. That represents a maverick view in the direct market, where buyers still need nerves *of steel.*

The fear is that property's plight is *as much structural as cyclical. The* balance of leasehold power appears to be swinging from landlord to tenant, threatening security of income. There is poor liquidity within the sector as banks are loath to lend to would-be buyers. Commercial rents and asset values continue to spiral downwards. Property's traditional appeal as a hedge against inflation looks less relevant given deflationary pressures in the global economy.

By most historical measures, property is cheap. Yields – now in excess of 10 per cent – have climbed above those on long-dated gilts for the first time in decades. This reflects the risk of capital erosion. But it also points to the possibility of attractive returns. *Investors able to pick and choose can* find good value, as some German funds have found in central London. Some custom-built properties for blue-chip tenants also hold out promising prospects. Optimists suggest such investments imitate convertible bonds, combining security of income with the capital appreciation of an equity *investment. Though this is true for* selective sectors, capital appreciation will not be a general market feature in the foreseeable future. More than ever, investment skill will be at a premium.

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		°C	°F
Ajaccio	S	14	57
Algiers	S	13	55
Amsterdam	C	7	45
Athens	S	18	64
Bahrain	S	15	59
Bangkok	F	32	90
Barcelona	S	13	55
Beijing	S	4	39
Beirut	C	16	61
Belfast	C	10	50
Belgrade	F	3	37
Berlin	S	3	37
Biarritz	S	14	57
Bombay	S	35	95
Bordeaux	S	11	52
Boulogne	C	10	50
Brussels	Dr	7	45
Budapest	S	4	39
Buenos Aires	R	27	79
Cairo	S	19	66
Cape Town	S	22	72
Caracas	F	26	79
Casablanca †	S	17	63
Chicago †	C	-2	28
Cologne	C	5	41
Copenhagen	S	3	37
Corfu	S	15	59
Dallas †	S	4	39
Dublin	C	11	52
Dubrovnik	S	14	57
Edinburgh	S	11	52
Faro	F	15	59
Florence	F	11	52
Frankfurt	C	4	39
Geneva	F	3	37
Gibraltar	C	15	59
Glasgow	C	11	52
Helsinki	S	-1	30
Hong Kong	S	23	73
Innsbruck	S	8	46
Inverness	C	12	54
Islamabad	F	26	79
Istanbul	R	6	43
Jakarta	R	29	84
Johannesburg	F	25	77
Lisbon	S	12	54
London	Dr	9	48
Los Angeles †	C	14	57
Luxembourg	C	4	39
Madeira	F	16	61
Madrid	S	11	52
Majorca	R	13	55
Malaga	F	16	61
Malta	F	17	63
Manila	C	30	86
Melbourne	S	30	86
Mexico City	C	19	66
Miami †	S	19	66
Milan	S	11	52
Montreal †	F	-13	9
Moscow	F	-7	19
Munich	C	3	37
Nairobi		–	–
Naples	S	16	61
Nassau	C	27	81
New Delhi	S	22	72
New York †		–	–
Nice	S	14	57
Nicosia	C	16	61
Oporto	S	15	59
Oslo	F	-3	27
Paris	C	5	41
Prague	C	2	36
Reykjavik	C	3	37
Rhodes	S	17	63
Rio d'Janeiro	F	36	97
Rome	S	15	59
Salzburg	F	7	45
S'Francisco †	C	11	52
Seoul	S	1	34
Singapore	S	31	88
Stockholm	S	1	34
Strasbourg	C	4	39
Sydney	S	27	81
Taipei	C	19	66
Tangier	F	17	63
Tel Aviv	S	16	61
Tenerife	C	17	63
Tokyo	S	18	64
Toronto †	Sn	-14	7
Tunis	F	14	57
Valencia	F	14	57
Venice	S	7	45
Vienna	C	4	39
Warsaw	S	-3	27
Washington †	C	-7	19
Zurich	S	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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Monday February 8 1993

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INSIDE

Global aims for Banco Santander

Banco Santander, the Spanish bank, plans to step up its international expansion with the aim of increasing net profits *earned abroad to 50* per cent of the group's total. "The time will come when half our assets and profits will be abroad," said Mr Emilio Botin, chairman. "That is our objective and that is where we are going." **Page 14**

Target for Democrats

Mr Alan Greenspan *(left), the Federal* Reserve chairman, and President Bill Clinton are circling each other warily. As one of the few remaining conservatives with real power, Mr Greenspan has become a target for congressional Democrats. If Mr Greenspan wants to be remembered as the first Fed chairman for a generation to secure something approaching price stability, he may need to raise short-term interest rates substantially in coming years. This could lead to a bitter tussle with the Clinton administration, which is unlikely to want a tightening of monetary policy before the next election. **Back Page**

Barclays enters private banking

Barclays launches a private banking service today to cater for clients with at least £500,000 in assets. Private banking is attractive because most lending is well secured, and income is generated through services. **Page 14**

Roussel rises 72%

Roussel-Uclaf, the large French chemicals company, has bucked the slump in the French corporate sector by increasing net profits 72 per cent to FFr1.02bn ($182m) in 1992. Roussel is in the middle of a rationalisation programme that involves the closure of eight out of Roussel's 10 European factories and the loss of 800 jobs. **Page 14**

US bonds await February 17

February 17 will be an important day for the US credit markets. On that day President Bill Clinton will unveil his economic plans. His message could either boost the bond market rally or send the market into reverse. **Page 16**

Market Statistics

Companies in this issue

Daf demerger plans win support of Dutch ministry

By David Brown in Amsterdam and John Griffiths in London

DUTCH economic affairs minister Mr Koos Andriessen has expressed his support for plans to unbundle Daf, Europe's sixth-largest truck manufacturer, salvaging the core operations in the Netherlands and transferring UK plants to a separate new unit.

Speaking on Dutch television on Saturday Mr Andriessen said he regarded Daf's core operation as a viable long-term business.

A broad demerger plan, details of which were being finalised by the company's receivers over the weekend, is "likely to be implemented", he added. Under the plan, the Dutch government could emerge as a dominant shareholder in the newly-formed Dutch operation after an injection of several hundred million guilders in new liquidity. Dutch banks, including ABN Amro, would also join in the finance operation, with the present Daf group being declared bankrupt perhaps as early as this week.

Mr John Talbot, the receiver of Leyland-Daf, the truck and van operations which employ 5,500 in the UK, returned to London after reviewing the future for the UK operations with administrators at Daf's headquarters in Eindhoven.

So far, there are understood to be no substantive talks in progress between the UK receiver and rival truckmakers with a possible interest in all or part of the UK operations.

Those with a possible but, so far, undeclared interest include Daimler-Benz and MAN of Germany, Paccar of the US – which already owns Foden in Britain – and Hino, the Japanese truckmaker.

Daf announced the financial collapse last Tuesday and sought protection from its creditors in the Netherlands, Belgium and the UK after running up losses of more than Fl 800m ($430m) over the last three years.

The new continental company, comprising core medium and heavy truck production units now employing 5,000, would be set up in the Netherlands.

The Belgian operation in Westerlo, which produces car and truck axles for the Eindhoven plant and employs 1,500, would be separated into a stand-alone unit owned by Belgium's General de Banque, according to reports.

● Some workers at Leyland-Daf won a pay rise in January that will raise their pay by 10 per cent by the end of the year if the deal is not scrapped as part of a survival package.

Investcorp profits rise 20% to $62.7m

By Robert Peston, Banking Editor

INVESTCORP, the Bahraini-financed international investment bank which controls well-known businesses in the US and Europe, pushed up its after-tax profit by 20.2 per cent to $62.7m in 1992.

Investcorp, which was set up 10 years ago, specialises in channelling funds held by wealthy Arabs into well established businesses, such as Gucci and Saks Fifth Avenue. It is attempting to buy and reorganise Circle K, the bankrupt US convenience store chain.

Mr Michael Merritt, Investcorp's chief administrative officer, said there were two main reasons for the profit growth. Investcorp realised two of its US investments, Catherine's Stores, a US retail chain specialising in extra large clothing for women, and Sports & Recreation, a sporting goods retailer.

The second source of profit growth was the two corporate acquisitions it organised during the year, on which it earned fees. On behalf of its pool of investors and also using its own funds, a 50 per cent stake in the German Mondi Group, a clothing manufacturer, was bought.

In early 1992, it bought Nouvelle Lemania, a manufacturer of watch movements, and then merged this business with Breguet, the Swiss watch company owned by Investcorp and its clients. Mr Merritt said Investcorp was looking at possible investments in the UK.

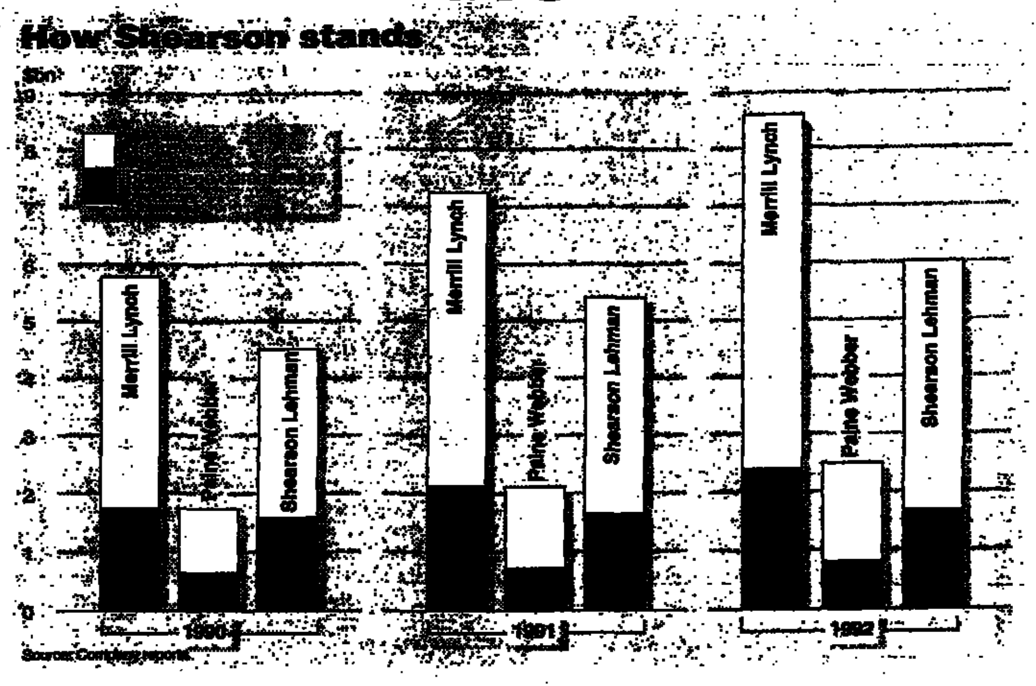
He and Mr Elias Hallack, Investcorp's chief financial officer, are being appointed co-chief operating officers.

A $15m cash dividend is being paid – identical to the payment for the past few years – representing a 15 per cent return on the capital invested by the founder shareholders in the business.

American Express is at a loss to explain the red ink at its Shearson Lehman brokerage, write **Alan Friedman** and **Patrick Harverson**

Leaden results in a golden age

How Shearson stands



Among the challenges facing the new leadership of American Express, the troubled travel and financial services group, few are as serious as the red ink at Shearson Lehman Brothers, the group's brokerage and investment banking subsidiary. Last month Shearson, the second biggest stockbroker in the US, disclosed a loss of $116m for 1992 and said its brokerage commission income rose by a paltry 1.8 per cent during the whole year.

By contrast, Merrill Lynch, the market leader, last year enjoyed net profits that were 37 per cent higher at $952.4m and brokerage commission income that rose by 12.3 per cent. PaineWebber, ranked third, reported 41 per cent better net earnings of $213.2m and brokerage commission income that improved by 14 per cent.

Last week, as the dust began to settle on the boardroom battle at American Express which led to the resignation of Mr James Robinson as chairman, analysts were still puzzling over the reasons behind Shearson's losses in 1992, a year that saw some of the fattest earnings in securities industry history.

There was also confusion about the leadership of Shearson. The question arose because Mr Robinson had been named chairman and chief executive of Shearson just four days before he severed all ties to the American Express group. In winning those positions Mr Robinson had elbowed aside Mr Howard Clark as Shearson chief, relegating him to vice-chairman. The firm is now being run on an interim basis by Mr Richard Fuld and Mr Tom Hill, the Lehman-side executives who were recently named co-presidents.

On Wall Street a surprising number of analysts who follow American Express and Shearson said they did not have enough information to understand the underlying reasons for Shearson's malaise.

Shearson has put up the barricades. Journalists and analysts are being given few details. Mr Michael Egizio, a financial services analyst at Duff & Phelps, the credit rating agency, said that because he had been denied access, he could not really know what was wrong with the firm. "The company doesn't seem to know either – that's what's so disturbing," he said.

At first glance Shearson's fourth quarter 1992 net loss of $166m and full-year deficit of $116m can be explained by a variety of special charges.

These charges include a $150m after-tax write-off relating to loans and equity held by Shearson in Computervision, a company that has had trouble for the past two years in servicing a 1990 bridge loan that was to have been refinanced by junk bonds. Also included is a $107m write-down of property holdings and $59m in unspecified legal provisions.

But in the fourth quarter of 1992 Shearson still only made $4m of operating income before special charges. Mr John Keefe, an independent financial service analyst at Keefe Worldwide Services, said it was odd that "if you take away these unusual items it is still hard to find much operating income – and this is during a golden age for the securities industry."

One man who should be in a position to explain the performance is Mr Harvey Golub, who replaced Mr Robinson as American Express's chief executive and who is now working on plans to restaff Shearson and return it to profitability. But in his first press conference since Mr Robinson resigned, Mr Golub and Mr Richard Furlaud, the new non-executive chairman of American Express, spent more time defending their earlier support for Mr Robinson than discussing future strategy.

When asked why Shearson made no money in 1992 Mr Golub spoke of the charges as "structural and baggage issues" and admitted that the security firm's cost base remained too high. When asked specifically why the second biggest brokerage house in the US had essentially flat brokerage commissions in 1992, Mr Golub replied: "The answer is that I don't know."

Mr Golub's aides eventually claimed the commissions had been flat because gains in retail and institutional sales had been offset by declining commodity commissions. They also blamed a shift in the reporting of individual managed investor accounts from the brokerage commission to the custodial and advisory income category. Shearson declined, however, to provide a financial breakdown.

Mr Golub was equally reticent about the possibility of American Express deciding to sell Shearson, saying at first he didn't know and then correcting this to a "no comment". Mr Golub said only that Mr Clark would not be reinstated as chairman and that there was "no timetable" for selecting a new chief executive. "It certainly would be useful to have a CEO at Shearson," Mr Golub said.

In fairness, Mr Golub is neither an investment banker nor an expert in the brokerage industry. He is something of a technician whose main task in life has been to turn around the travel related services (TRS) division of American Express. Mr Furlaud said that TRS would remain a prime responsibility for Mr Golub.

Mr Golub pledged also to spend time on Shearson, which until recently seemed to have recovered from its worst period two years ago when it suffered huge losses and saw Mr Peter Cohen, chairman, forced out by Mr Robinson.

Some former Shearson executives blamed excessive compensation and overhead costs for the firm's problems. Over the past two years Mr Robinson took a personal hand in plotting Shearson strategy, apparently allowing costly and overlapping expenses to occur when he came up with the idea of dividing Shearson and Lehman into separate brokerage and investment banking arms of the group. The unhappy marriage between the blue-bloods of Lehman Brothers and the retail brokers of Shearson continues to create tension within the firm.

The single biggest component of a brokerage firm's costs is employee compensation – salaries and bonuses. At Shearson, compensation expenses have grown faster than revenues. Last year, for example, the firm's compensation expenses grew 14 per cent, while net revenues rose only 11 per cent.

These expenses, by some estimates up to $250m too high on an annual basis, may explain part of the reason why Shearson, which analysts say should have earned as much as $700m in full-year operating income last year, only made $204m before charges, less than half the 1991 level.

Many on Wall Street are betting that American Express will move to cut costs, strengthen capital and ready Shearson for an eventual sale – as part of the group's gradual dismantling of Mr Robinson's 1980s strategy of trying to build American Express into a "financial supermarket". Whatever happens, it is clear that Shearson will remain an albatross for Messrs Furlaud and Golub for some time to come.

Frankfurt gives London a run for its money

Economics Notebook

By Peter Norman

At a time when Europe's monetary arrangements are a by-word for disorder, the policies of the Bundesbank and the Bank of England appear to be converging.

The least publicised aspect of the Bundesbank's measures last Thursday may turn out to be the most important: the decision to create an asset-based money market in Germany, akin to that in London but without the anachronism of discount houses.

The German move came barely two weeks after the UK government announced that Mr Eddie George would be Bank of England governor from July 1 and that the Bank's "central responsibility" in future would be – like that of the Bundesbank – to achieve price stability.

But it would be wrong to suppose that such convergence will result in harmony or add to stability.

The Bundesbank's money market reforms are part of a determined campaign by the German monetary authorities to challenge the City as Europe's premier financial centre and ensure that European economic and monetary union, if it should ever come to pass, will carry a "made in Germany" stamp.

Last week's Bundesbank decision to offer through tender DM25bn worth of three, six and nine-month bills to banks, non-banks and foreign institutions has several goals.

It gives the Bundesbank an extra weapon to mop up speculative currency inflows by enabling it to offer such paper to non-banks for the first time. It will also give it a better chance of controlling M3, its wayward money supply measure.

More important, it fills an important gap in the range of German money market instruments and so will broaden the appeal of Frankfurt to foreign institutions.

The Bundesbank's announcement that minimum reserve requirements on banks' time and savings deposits would be *more than halved to 2 per cent* of liabilities removes a big competitive disadvantage for banks in Frankfurt and other German centres vis-à-vis London and Luxembourg. It should encourage the repatriation of short-term D-Mark deposits from the Euromarket.

At the same time, the Bundesbank *is pressing ahead with* efforts to ensure that an eventual Europe-wide monetary policy is *modelled on continental* rather than UK practices. As Economics Notebook reported five weeks ago, that would entail Europe-wide money supply targets as part of a stringent counter-inflationary policy and tough approach to lender of last resort responsibilities.

The dramatic cut in the minimum reserve rates does not mean that the Bundesbank is abandoning this instrument of monetary control.

The minimum reserve system, often criticised abroad as a tax on banks, is less onerous than it appears because German banks are able to obtain funds from the central bank at less than money market rates through the Bundesbank's discount facility. But by forcing the banks to use the discount window, it gives the Bundesbank a valuable insight into their operations.

For that reason, Germany wants to have Europe-wide minimum reserve requirements *if and when a European* central bank system begins operating in the proposed third stage of Emu.

With the European Monetary System in turmoil, nobody can be sure that Emu will go ahead as planned. But by taking a leaf out of the Bank of England's book and actively *promoting its own financial* centres, the Bundesbank is doing its best to ensure that, *with or without Emu*, Frankfurt gives London a run for its money.

But the strategy is not without risk. From a German viewpoint, the Bank of England is a worrying model to follow. A conglomerate among central banks, its interests range from the newly ordained primary *goal of helping to achieve price* stability, through oversight of Britain's banks and important financial markets in London, to the broader objectives of supporting the City and UK industry.

Like many conglomerates, the Bank has at times had difficulty reconciling differing claims on its management resources and so ended up doing some things badly. The supervision failures in the BCCI affair were a case in point.

That the Bundesbank should give added importance to promoting *Finanzplatz Deutschland* opens the question whether it will risk conflict with its overriding commitment to price stability in Germany. Such doubts have been fuelled by the circumstances of last week's interest rate reductions.

The Bundesbank would like its quarter point reduction in discount rate and half point cut in lombard rate to 8 and 9 per cent respectively to be seen *in the context of its financial* market liberalisation.

But the general perception is that the Bundesbank succumbed to political pressure to cut rates to preserve the European exchange rate mechanism which was facing possible terminal collapse because of a flight of funds from the Danish krone.

The rate cuts came only days after Mr Helmut Schlesinger, Bundesbank president, indicated that lower borrowing costs were not justified because of inflationary pressures in Germany. They have cast doubt on the Bundesbank's counter-inflationary credibility and and the D-Mark as the anchor of the ERM.

Ironically, the Bundesbank may have undermined one of the cornerstones of Emu by acting to defuse tension in the ERM. For if the Bundesbank cannot be trusted to maintain its independence and commitment to price stability, how *can the same be expected of an* untried European central bank if ever the EC moves to a single currency and monetary policy?

To sow new doubts over the future of Emu may well fit in with the secret wishes of Mr Schlesinger and his colleagues on the Bundesbank's decision-making council.

But the cost has been that Bundesbank policies now seem almost as incalculable as those of Mr Norman Lamont and the UK Treasury: a convergence that can appeal to no-one in Frankfurt.

Sale of Charterhouse expected this week

By Sara Webb in London

ROYAL Bank of Scotland is expected to announce the long-*awaited sale of Charterhouse*, its merchant banking subsidiary to two European banks this week.

Berliner Handels und Frankfurter Bank (BHF) of Germany and Crédit Commercial de France (CCF) will each take a 45 per cent stake in Charterhouse, with Royal Bank of *Scotland retaining the remaining* 10 per cent.

The price of £235m ($355m) – which is currently being mentioned – for the 90 per cent stake that Royal Bank of Scotland is selling is higher than originally expected. The deal will be the first time a UK merchant bank has been bought by a Franco-German banking partnership. CCF and BHF have their own investment banking operations and want to build a pan-European merchant banking business around Charterhouse.

Negotiations have dragged on for several months. Analysts had expected Charter*house to be sold for around* £200m, but Royal Bank of Scotland, which is being advised by the merchant bank SG Warburg, is understood to have held out for an improved offer price.

The deal is intended to give Charterhouse access to the French and German banks' customers on continental Europe and in the UK.

Royal Bank of Scotland wanted to concentrate on its retail business and felt that owning a merchant bank was not "synergistic" with its clearing bank operations.

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COMPANY NEWS: UK

Barclays launches new private service

By John Gapper, Banking Correspondent

BARCLAYS will today launch a new private banking service in Britain. The move is the latest effort by one of the high street banks to raise levels of income from less risky forms of business than personal or business lending.

The bank, which has previously carried out some private banking for British residents through its international private bank, has established new British business at the headquarters of Barclays Private Banking in London.

The move coincides with reorganisation of international and UK domestic private banking services into a separate business within Barclays. The business has 16 offices around the world, and handles £10bn of clients' assets.

Ms Heather Maizels, director of UK private banking, said the bank would aim to provide services to clients with at least £500,000 in assets, but would seek to be more flexible in selecting clients than some other private banks.

Barclays has integrated BZW Portfolio Management, the private banking arm of its investment bank, into the new Barclays Private Banking business.

Mr Michael Tomalin, managing director of Barclays Private Banking, said that clients wanted "discretion and efficiency" from a private bank. Barclays was in a position to offer a wide range of services because of its size.

Barclays is among British banks which have been searching for ways of increasing operating income without heavy capital demands. Private banking is attractive because most lending is well-secured, and income is generated through services.

Shareholders of Barclays are being asked to vote for the bank to call an extraordinary general meeting to discuss an "agenda for recovery".

The call was made yesterday by a shareholder group critical of Barclays in an advertisement in the Independent on Sunday.

The group has asked shareholders to vote for a "manifesto for the recovery and prosperity of the bank" at an EGM.

The group is based at the same London address as the Safe pressure group formed by dissatisfied small business customers of Barclays.

Kingfisher bid terms due shortly

By Angus Foster

MERGER talks announced last Thursday between Kingfisher, the UK retailer, and Darty, the French electrical goods chain, are continuing and terms of the deal are expected to be announced within the next few weeks.

Analysts expect Kingfisher to offer a mixture of cash and shares to value Darty at about £1bn. Kingfisher is likely to pay FFr1.6bn in cash, as well as assuming about £500m of the French company's debt. Darty would be left with about 12 per cent of Kingfisher's shares, according to French press reports over the weekend.

Analysts have also reduced their estimates for the size of a Kingfisher rights issue needed to help finance the deal. Kingfisher's shares fell 31p to 527p last week on fears the company would need to raise about £800m. Analysts now say the rights issue may be less than half that amount. Kingfisher has refused to comment on the terms of the deal.

Kingfisher owns the Woolworth and Superdrug chains as well as Comet, Britain's second largest electrical retailer.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Kingfisher (UK)	Darty (France)	Retailing	n/a	Merger talks announced
Methanex (Canada)	Unit of Fletcher Challenge (NZ)	Methanol	£172m + shares	Methanex becoming world leader
Tioxide Group (UK)/ Kronos (US)	Joint venture	Chemicals	£132m	ICI arm taking 50% stake
Deminex (Germany)	Assets of Lasmo (UK)	Oil & Gas	£105.8m	Lasmo continues disposals
BOC (UK)	Units of Du Pont Merck Pharmaceuticals (US)	Pharmaceuticals	£48m	BOC boosts healthcare operations
BICC (UK)	KWO (Germany)	Cables	£24m	Completed buy from Treuhand
Kalon (UK)	Novo Holdings (France)	Paint	£19.8m	Paper + cash deal
Medeva (UK)	Institut de Recherche Corbière (France)	Pharmaceuticals	£11.6m	Medeva's first buy in Europe
Menvier-Swain (UK)	Nugelec (France)	Alarm systems	£10.6m	Continues continental expansion
Kredietbank Luxembourgeoise (Luxembourg)	Brown Shipley Holdings (UK)	Financial services	£4.8m	Reluctantly recommended

In top gear and on course for a listing

Andrew Bolger on the turnround and proposed flotation of the David Brown Group

IT TOOK more than a coat of fresh paint to change the face of David Brown Corporation, a famous British gear manufacturer which had fallen on hard times after 130 years of family ownership.

"Some of the workshops looked like the Black Hole of Calcutta," said Mr Chris Cook, 43, who three years ago became joint managing director with Mr Chris Brown, 39, through a £46m management buy-in.

The new managers lost no time in ordering the redecoration of the group's sprawling 16-acre site at Huddersfield, West Yorkshire, believing that refurbishment would send a positive message to both employees and customers.

The clean-up also extended to the finances of the company, which is soon to be floated as the David Brown Group, with an estimated market value of more than £70m. In spite of recession, small losses at the time of the buy-in have been turned into a pre-tax profit of £8.3m last year on turnover of £80m.

Strong cashflow has enabled the two former FKI executives to repay a £16m loan five years ahead of schedule, invest £10m on capital expenditure over the past three years and spend £3.5m on acquiring new businesses.

The change in the company's fortunes has not been painless. Some 300 people were made redundant after the buy-in, and another 100 have gone because of the recession. A further 100 went with the closure of three peripheral businesses. Even after the acquisitions, the group's workforce has shrunk from more than 1,800 to about 1,350.

In spite having a strike each year since they arrived, the new management team said the workforce had responded very positively to changes – in particular a move to manufacturing on a "cell" basis, with operators watching several machines and teams taking more responsibility for organisation and quality of their output.

Christopher Brown (left) and Christopher Cook: new targets

Although much of David Brown's equipment is old, new computer-controlled machines have been bought which do the work of six of those they replace and offer even higher accuracy.

The group now comprises four core divisions:

- Vehicle transmissions, based in Huddersfield, supplies the Challenger tanks, Intercity's 140mph Class 91 trains and most Formula 1 cars;
- Special products, also based in Huddersfield, makes gears up to six metres in diameter for industrial and marine applications;
- Radicon, with factories in Sunderland and Huddersfield, makes standard geared drives for a wide range of industrial applications;
- Pumps, based at Penistone, near Sheffield, makes pumps and pumping systems for the oil and petrochemical businesses.

Although the four divisions existed before the new team arrived, the group was still highly centralised, with head office taking responsibility for payrolls, cash-handling and invoices. Each division now has its own managing director and finance director, and is fully responsible for its own finances.

Head office staff has been cut from 40 to seven – including the two chief executives and a secretary – who occupy a corner of a huge office suite above the Huddersfield workshops. Three of the four divisional managing directors came from within David Brown, but 20 managers have been recruited to provide "reinforcements" further down the organisation.

The new management found that although David Brown's reputation for technical excellence remained high, it had acquired a poor name on delivery dates, with many customers being given the impression that production was geared to the convenience of David Brown, and not them.

Mr Cook said: "There was a low-performance culture. People were set very low targets and – not surprisingly – business did not perform well. They are now set 'stretch' targets, which are tough but realistic".

There has been marked progress. Supply times for geared motors has been cut from 12 weeks to 2 days, or a week for less standard options. The group is now beginning to win orders on the basis of its speedy supply dates.

In many ways David Brown embodies the history of British engineering. An early technical lead in gears was transformed, along with empire, into a huge industrial combine, which included tractors, Aston Martin cars, and the Vosper Thornycroft shipyard.

Much of the grand heritage has gone, but the group retains another typical legacy: strong ties to Commonwealth markets, but a negligible presence in continental Europe and too small a share of the US market.

Gearing was 300 per cent at the time of the buy-in, but was rapidly reduced and the group will have only modest borrowings after the flotation. The new team is interested in making an acquisition in continental Europe and would also be interested in acquiring a business doing repairs and maintenance for the US petrochemical market.

The flotation is being sponsored by Barclays de Zoete Wedd, with de Zoete and Bevan brokers to the issue. The buy-in was supported by Bankers Trust, Charterhouse and Morgan Grenfell. The new management will have 20 per cent of the group, post-flotation.

Mr Cook and Mr Brown scarcely knew each other while with FKI, but enjoy their shared roles of joint managing director and intend to continue the arrangement, although each does take specific responsibility for two divisions.

Mr Brown said: "We do get asked to do talks and presentations together, which can be tricky. It's important not to come across like Morecambe and Wise, but we are getting better at it."

Last year the group appointed as non-executive chairman Mr Derek Kingsbury, not least because of his experience in bringing the specialist engineering group Fairey to the market in 1988.

In spite of the speed with which David Brown has been turned around, the team is keen to dispel any impression of complacency. Mr Cook said: "We know we've still got a way to go."

UK Land issues caution after shares rise to 30p

By Vanessa Houlder, Property Correspondent

UK LAND, a loss-making property company with negative shareholders' funds, on Friday responded to a sharp rise in its share price by warning that it was still in talks with its banks.

Its share price rose 4p to 30p, compared with a low of 7p in November.

The company issued a statement to the stock exchange, which reminded shareholders that there was a deficit of shareholders' funds on March 31 1992 of £31.9m. "Subsequently UK Land has been engaged in extensive negotiations with its bankers with a view to implementing a capital reorganisation. An announcement will be made upon the conclusion of these negotiations," it said.

It made a loss of £17.1m for the 18-months to March 31 after an exceptional £20m for estimated liabilities incurred in development programmes.

In August 1991, it put two subsidiaries into liquidation.

Tuskar thwarts bid attempt

Shareholders in Tuskar Resources, the Dublin-based oil and gas company, have thwarted a takeover attempt from fellow Irish resource company, Aminex, by voting overwhelmingly for the purchase of Shenandoah Expro, a North Sea subsidiary of Bula Resources, which holds a 0.90628 per cent interest in the Buchan Oil Field.

Aminex said its £2.75m offer for Tuskar, launched last month, would not proceed if the purchase was approved.

Vaux hotels hit by the recession

Vaux Group's Swallow hotels continued to suffer in the recession and trading profits were falling short of the interest costs on some recent investments, the annual meeting was told.

Hotel occupancies in the October-January period were 5 per cent higher than a year ago but achieved room rates were 5 per cent down.

However, the group's breweries were performing well.

Barcom expands via Hawkins buy

Barcom, formerly Venture Plant Group, is buying certain companies within the Hawkins Group, one of the largest privately-owned hirers of operated and non-operated plant, for a nominal consideration of £1 plus certain professional costs associated with the acquisition up to a maximum of £90,000, writes Juliet Annetts.

The Hawkins companies incurred a loss before taxation of £529,000 on turnover of £10.1m in the 10-month period ended October 31 1992. Net debt was £5.8m.

INTERNATIONAL COMPANIES AND FINANCE

Endesa will issue bonds to finance acquisitions

By Leslie Crawford in Santiago

ENDESA, Chile's biggest electricity company, hopes to place more than $50m of long-term bonds on the international markets this year to finance acquisitions in Argentina and Peru, according to the company's financial managers.

Endesa sees the privatisation of utilities in neighbouring countries as an opportunity to become Latin America's first multinational company in the energy sector.

The process began last year, when Endesa acquired a controlling stake in Argentina's Central Costanera, a power generator, and a minority shareholding in Edesur, an electricity distribution company. The $100m investment was financed in part with an $85m syndicated credit led by Credit Suisse First Boston.

Mr Rodrigo Danus, chief of Endesa's financial division, says the company is preparing to bid for Hidronor, a group of five power plants in southern Argentina which will be privatised in the first half of 1993. Company executives have also travelled to Peru to study the planned state sell-offs of Electro Lima and Electro Peru.

Endesa, which generates over half of Chile's electricity, posted profits of $260m last year, a 30.2 per cent increase over 1991. The results were "the best in the company's history," according to Mr Jose Yuraszeck, chairman.

It recently became the first private sector corporation in Latin America to win an "investment grade" rating from Standard & Poor's, the US ratings agency.

At home, Endesa has begun work on a $450m hydroelectric dam in Chile, partly financed by the World Bank's International Finance Corporation. Environmental groups oppose the dam's construction on the grounds that it will destroy wildlife and affect Indian communities in the reaches of the Bio Bio, Chile's longest river.

In Argentina, Mr Yuraszeck said Endesa had increased electricity production at Central Costanera nine-fold since it took over the plant last May.

Banco Santander aims to earn half its profits abroad

By Tom Burns in Madrid

MR EMILIO BOTIN, chairman of Banco Santander, has announced that the Spanish bank plans to step up its strategy of international expansion, with the aim of increasing net profits earned abroad to 50 per cent of the group's total.

Mr Botin told the bank's annual meeting at the weekend that international business contributed $205m to consolidated net profits of $577.1m in 1992. "The time will come when half our assets and profits will be abroad," Mr Botin said. "That is our objective and that is where we are going."

As part of this strategy Santander was considering exercising warrants in First Fidelity Bancorporation which would increase its shareholding in the New Jersey bank from 16.5 per cent to 23 per cent.

Emilio Botin: growth at operating level 'satisfactory'

An equity stake of more than 20 per cent would mean the consolidation of First Fidelity's results with Santander's and boost the Spanish group's already strong balance sheet.

Mr Botin said that despite a very difficult year Santander had achieved a "satisfactory" growth of 12.5 per cent in operating profits. This was due more to a growth in fee income, which rose 21.8 per cent to $602m, and control over operating expenses, than to higher margins.

Santander's total dividend was increased by 8.33 per cent, year on year, to Pta260 ($2.24) a share.

- The Spanish government has created four limited companies called Sociedad Estatal de Patrimonio I, II, III and IV, in a move that prepares the ground for big disposals of state-owned shareholdings.

Mr Carlos Solchaga, economy minister, said up to 25 per cent of Argentaria, the banking group, would be placed on the market "immediately".

Sales growth slows at Amgen

By Louise Kehoe in San Francisco

AMGEN'S share price plunged on Friday after the US biotechnology company reported slowing sales growth for its pharmaceutical products and analysts cut estimates for future earnings.

Net profit for the fourth quarter was $133.8m, or 91 cents per share. However this included a one-time, pre-tax arbitration award of $77.1m – producing an after-tax gain of about 34 cents per share – over Amgen's marketing rights dispute with Johnson & Johnson, the US healthcare products group.

In the same period last year the company reported net profits of $60m, or 41 cents a share. Fourth quarter sales rose to $308.2m from $210m.

Sales in the quarter of Epogen, Amgen's anti-anaemia drug, were $135.7m, down slightly from $136.9m in the third quarter. For the year, sales increased to $506.3m, from $409.4m in 1991. Sales of Neupogen, which received US marketing approval in February 1991, rose to $544.4m in 1992 from $232.8m in 1991.

Although fourth quarter earnings were in line with expectations, analysts expressed concern that the sales momentum is slowing, and the company's share price closed at $53⅞ on Friday, down from Thursday's $59¾.

For the year ended December 31, total turnover was $1.1bn, compared with $682m a year earlier. Net profits came to $357.6m, or $2.43 a share, compared with $97.9m, or 67 cents, which included a one-time, pre-tax legal assessment of $129.1m.

Fotex lifts turnover 40% in year

By Nicholas Denton in Budapest

FOTEX, the retail group which is Hungary's largest public company, lifted turnover last year by 40 per cent to Ft9bn ($106m).

The full consolidation of Kontur, a department store chain in western Hungary, a doubling of turnover at Azurinvest, the wholesaling subsidiary, and growing returns from the distribution of Gillette razors, contributed to the improvement.

Fotex expects that last year's purchases of Ofotert, a photo-developer, and Domus, a furniture retailer, will add another Ft5bn to turnover for the current year.

Fotex has expanded largely through bids for companies set for privatisation. However, executives expect a pause in its acquisition strategy in the first part of the year to allow time to digest and implement new management systems.

The acquisitions, while boosting turnover, hit profitability. Fotex drew down the cash raised through a $54m share offering in the US during 1991 and interest income fell, pushed down by plummeting deposit rates.

The fall in interest income was largely offset by improving operating results. Profits after tax came to an estimated Ft1bn in 1992 compared with Ft1.05bn a year earlier.

Life groups in Japan to gain losses concession

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance is likely to allow life insurance companies to postpone booking foreign exchange losses on international bond investments for the year ending March 1993.

The move is part of the ministry's efforts to support the ailing Tokyo stock market by restricting stock sales by institutional investors. The ministry has already instructed the country's banks not to sell stocks to shore up profits, and now wants to prevent selling by life groups, Japan's leading institutional investors, to cover for their investments in Australian and Canadian bonds.

Although life assurers are allowed to value foreign securities at book value, they are required to book losses once the market value of the investments falls more than 15 per cent. Both Canadian and Australian dollars have fallen sharply against the yen this fiscal year, and leading life assurers are believed to be holding some Y300bn ($2.41bn) in unrealised losses.

The ministry is also considering whether to allow life assurers to book unrealised profits on stock holdings to prop up profits. While the move is likely to attract criticism as window dressing of accounts, the finance ministry intends to allow life assurers to include unrealised stock profits to increase their dividend reserves for policy holders.

Unrealised profits on stock holdings have served to cover the loss between dividends on policies, which average around 6.5 per cent, and the return on the assurers' investments, which is declining rapidly due to the fall in interest rates.

The ministry and life industry are becoming wary over further erosion of the "buffer" against lower returns through realising latent gains on stocks. Combined unrealised profits on stocks at the largest life assurers totalled some Y6,000bn last September, Y2,000bn lower than the previous year.

Roussel-Uclaf bucks trend with surge in earnings of 72%

By Alice Rawsthorn in Paris

ROUSSEL-Uclaf, one of France's largest chemicals companies, has bucked the slump in the French corporate sector by increasing net profits by 72 per cent to FFr1.02bn ($182m) in 1992.

The group, which is 54 per cent owned by Hoechst, the German chemicals group, said that most areas of activity had shown growth in 1992 with some sectors performing ahead of target. The only exception was arable farming products which suffered from the economic slowdown in Europe and the European community's agricultural reforms.

Roussel's overall sales rose by 3.2 per cent to FFr14.8bn. Net profits, excluding exceptional items, showed growth of 11.9 per cent to FFr735m last year. The group's underlying performance benefited from the strengthening of the US dollar.

Roussel, chaired by Dr Edouard Sakziz, is in the throes of a large-scale rationalisation programme across its European operations. This reorganisation, which will continue until 1995 and has been highly controversial in France, involves the closure of eight out of Roussel's 10 European factories and the loss of 800 jobs.

Last year the rationalisation cost the company FFr370m.

Dofasco takes C$202m charge for restructuring

By Robert Gibbens in Montreal

DOFASCO, one of Canada's two biggest steel makers, has taken a C$202m (US$159m) special charge to cover restructuring costs over the next 18 months and has reported a heavy loss for 1992.

The charge will cover the shutdown of 3m tonnes of older capacity this summer at Hamilton, near Toronto. Dofasco's payroll will be reduced from 8,700 to 6,400 by early 1994 and its raw steel capacity will drop to 3m tonnes produced at its most modern and efficient plant.

The company is also moving ahead with detailed planning for a joint venture mini-mill project, to be located in Canada or the US. Its partner has been widely reported as Co-Steel, a mini-mill specialist which controls Sheerness Steel in Britain. But Dofasco has resolutely refused to identify the partner.

Final net losses came to C$207m, or C$2.96 a share, for 1992, against losses of C$25m, or 73 cents, a year earlier. Turnover slipped to C$1.95bn from C$2.1bn.

Dofasco said prices have begun to improve, costs would decline further in 1993 and a lower Canadian dollar is helping recovery.

Bell Canada seeks rate rise

STIFFENING competition in Canada's telephone market has led Bell Canada, the country's biggest phone company, to apply for the first rise in basic local rates for 10 years, writes Bernard Simon in Toronto.

Bell, which has a monopoly on local services in the key markets of Ontario and Quebec, said the increase is required to make up for a gradual erosion of income from long-distance services.

The proposed increase would average 10 per cent for households and 9 per cent for business customers. It must still be approved by a federal regulatory agency.

Bell's lucrative long-distance business provided a C$1.9bn (US$1.49bn) subsidy to local services last year. According to Bell, the fee for residential services currently averages C$10 a month, compared with a cost to the company of C$40. The fee covers an unlimited number of local calls.

NEWS IN BRIEF

S&P lowers Italian bank debt ratings

STANDARD & Poor's, the US credit rating agency, has lowered the debt ratings of three Italian banks, reflecting a deteriorating domestic environment and the Italian government's more "hands-off" approach to the sector, writes Antonia Sharpe. Istituto Bancario di Torino's senior debt rating is cut to A plus from AA, while Banca Commerciale Italiana's and Banca Nazionale del Lavoro's are both cut to A from AA minus.

- **Ems-Chemie**, the Swiss speciality chemicals group, reported a 44.5 per cent jump in net profits last year to SFr143m (US$94m), on sales 14.7 per cent ahead at SFr896m, writes Ian Rodger in Zurich. More than half the profit growth came from securities trading, which yielded SFr51m compared with SFr23m the year before.

- **TNT**, the Australian transport group, plans to float its remaining 20 per cent holding in TNT Freightways of the US, writes Kevin Brown in Sydney. TNT floated 80 per cent of the group 15 months ago.

- **Skandinaviska Enskilda Banken**, a leading Swedish commercial bank, says a combination of state guarantees and a share issue are the best way for it to escape its financial crisis, writes Christopher Brown-Humes in Stockholm.

Mr Bjorn Svedberg, chief executive, did not quantify how much the bank would need to raise, but said it would need up to SKr10bn ($1.35) to guarantee its non-performing loans.

- **Denway Investment**, the Chinese joint venture manufacturer of Peugeot vehicles in Guangzhou (Canton) is to raise HK$403m (US$52m) through a flotation on the Hong Kong stock market, writes Simon Davies in Hong Kong.

- **Banespa**, Brazil's third largest bank which is controlled by the state of Sao Paulo, posted net profits of $156.3m in 1992, compared with $92.6m a year earlier, writes Bill Hinchberger in Sao Paulo.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Deluge of Canadian dollar issues widens spreads

TREASURERS have rushed to raise funds in Canadian dollars in the international capital markets in the past week or so, to take advantage of the favourable arbitrage conditions available in the swaps market.

More than C$3bn worth of paper has been raised since January 28, bringing the total volume since the start of the year to C$5.94bn. Given the relative similarity of the deals, there has been insufficient demand from investors to absorb the deluge of paper immediately.

Consequently, spreads on most of the new issues have widened since their launch. The main casualty has been a C$300m 10-year offering from Asfinag, an Austrian government-guaranteed agency, which has seen its spread widen by 8 basis points to 48 basis points above comparable Canadian government bonds.

The City of Montreal's C$125m 10-year deal and Daimler-Benz North America's C$100m three-year bond have seen their spreads widen by 7 basis points to 107 and 55 basis points respectively.

The only Canadian dollar deal to see its spread narrow has been the Municipality of Toronto's C$125m 10-year deal, by 4 basis points to 70 basis points.

The over-supply of Canadian dollar Eurobonds has been spread across the yield curve. Of the 15 recent issues, seven have been pitched into the 10-year area, while the remaining eight have been split between three and five-year maturities.

This has reduced the scope for further launches, although some syndicate managers believe there might still be room in the three-year area for a good-quality name.

The heavy activity in the swaps market, related to the flood of new issues, has caused swap spreads to narrow. Syndicate managers say that fewer arbitrage opportunities and a saturated market should help to cancel each other out, since the former should discourage treasurers from raising more funds in this currency. This in turn should give the market a chance to digest the recent flood of paper.

Underwriters hope the overhang of Canadian dollar deals will soon be taken up by investors. They are said to be attracted by the renewed stability of the Canadian dollar after its fall last year, triggered by constitutional concerns and casualties in the corporate sector.

Furthermore, the volatility in the European currency markets last week has increased demand for paper denominated in "safe haven" currencies such as US and Canadian dollars.

Analysts believe Canadian government bonds look cheap against their US counterparts. They expect the recent reduction in the yield differential between the two to continue. In the 10-year area of the curve, for example, the differential has narrowed to 146 basis points from 158 basis points a week ago, and some analysts expect a further narrowing of some 60 basis points in the coming months.

An improved outlook for the Canadian economy – its gross domestic product is expected to grow by 3¼ per cent this year after an expected rise of 1½ per cent in 1992 – as well as subdued inflation prospects of around 2 per cent have also encouraged investors to return.

While the recent spate of issues has been led by foreign borrowers, some Canadian borrowers have tapped the market. Many Canadian provinces continue to face heavy financing needs, and could add supply to the market at a later date.

Syndicate managers say that for Canadian borrowers there is currently not much difference between the cost of borrowing in the domestic market and the Eurobond market. However, if the Canadian dollar continues to recover against European currencies, it could encourage greater demand among European investors eager to make currency gains. This in turn could cause Eurobond spreads to narrow, which would reduce the borrowing costs for Canadian issuers.

The Province of Ontario has not participated so far in the recent rush for Canadian dollar Eurobonds, mainly because it has fulfilled its fiscal 1992-1993 funding programme of C$10.9bn with a US$3bn 10-year offering in January.

● KommuneKredit of Denmark has signed a US$1bn Euro medium term note programme. Lehman Brothers International and Lehman Brothers Bankhaus acted as arrangers and the notes will be rated Aa1 by Moody's Investors Service.

Antonia Sharpe

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Maeda Corp.(b)♦	200	Feb.1997	4	2.5	100	Daiwa Europe	-
SXL Corp.(c)♦	80	Feb.1997	4	2.5	100	Yamaichi Int.(Europe)	-
Yamatake-Honeywell(d)♦	100	Feb.1997	5.01	2.5	100	Yamaichi Int.(Europe)	-
Spintab(h)‡	300	Oct.1998	5.67	(h)	99.25	Morgan Stanley Int.	-
Inter-American Dev.Bank	500	Feb.2003	10	6.625	99.395	CSFB	6.710
Godo Steel(j)♦	100	Feb.1997	4	2.375	100	Yamaichi Int.(Europe)	-
Zenchiku Co.(k)♦	50	Feb.1997	4	2.25	100	Daiwa Europe	-
Bayerische Vereinsbank(n)‡	75	Jan.2003	9.95	(n)	100	Kidder Peabody Int.	-
BNA, New York Branch(a,r)	150	Feb.1996	3	9	100	Chemical Inv.Bank	9.000
Banco Inter-Atlantico(a)	50	Sep.1995	2.5	11	98.94	ING Bank	11.500
Crédit Local de France(s)‡	50	Dec.2002	9.75	(s)	100.5	Lehman Brothers Int.	-
BNP(w)‡	150	Feb.2003	10	(w)	100	Kidder Peabody Int.	-
Eksportfinans(x)‡	100	Aug.2003	10.5	(x)	100	CSFB	-
Toyota Motor Crdt.Corp.(y)‡	100	Mar.2003	10	(y)	100	UBS P&D Securities	-
YEN							
Mitsui Toatsu Chemicals	20bn	May.2000	7.26	5.3	101.475	Nomura Int.	5.048
Mitsui Toatsu Chemicals(l)	10bn	May.1997	4.26	4.3	101.525	Yamaichi Int.(Europe)	3.901
D-MARKS							
European Investment Bank	500	Feb.1998	5	6.625	101.1	Hypobank	6.361
Kingdom of Spain	4bn	Mar.2003	10	7.25	101.675	Dresdner Bank	7.011
Prov.of Saskatchewan(t)‡	200	Feb.2003	10	(t)	101.75	CSFB-Effectenbank	-
FRENCH FRANCS							
La Poste	1.3bn	Feb.2003	10	8	98.21	Société Générale	8.27
Crédit Foncier de France(o)	300	Apr.2002	9	4	98.97	JP Morgan, Paris	-
Eletricité de France(z)	1.5bn	Dec.1997	4.74	8.25	101.4	Société Générale	7.869
GECC	1.1bn	Mar.2001	8	7.875	101.245	Paribas Cap.Mkts.	7.661
STERLING							
Halifax Building Society(i)‡	100	Feb.2003	10	(i)	100	Salomon Brothers Int.	-
Northern Foods(a,m)§	91.28	Aug.2008	15.47	6.75	100	NM Rothschild	-
Abbey Nat.Treas.Serv.(p)‡	100	Mar.1996	3	(p)	100	Goldman Sachs Int.	-
Halifax Building Society(p)‡	100	Mar.1996	3	(p)	100	UBS P&D Securities	-
Eksportfinans(p)‡	100	Mar.1996	3	(p)	100	Goldman Sachs Int.	-
European Inv.Bank(u)‡	200	Aug.1996	3.5	(u)	100	JP Morgan Securities	-
Abbey Nat.Treas.Serv.(v)‡	100	Feb.1996	3	(v)	100	Merrill Lynch Int.	-
Abbey Nat.Treas.Serv.(a1)	100	Feb.2003	10	8.125	100.85	Morgan Stanley Int.	-
CANADIAN DOLLARS							
World Bank	250	Mar.2003	10	8.25	100.861	Salomon Brothers Int.	8.121
Asfinag	300	Mar.2003	10	8.5	101.618	Swiss Bank Corp.	8.256
JFM	170	Mar.2003	10	8.5	101.375	IBJ International	8.292
Export Development Corp.	300	Mar.1996	3	7.5	101.0975	Paribas Cap.Mkts.	7.081
Ville de Montreal	125	Mar.2003	10	9	100.575	ScotiaMcLeod	8.911
Crédit Lyonnais	150	Mar.1996	3	7.5	100.325	Wood Gundy	7.375
Daimler-Benz Nth.America	100	Mar.1996	3	6.5	98.21	Deutsche Bk.London	7.184
ITALIAN LIRA							
Deutsche Bk.Fin.Curaçao	200bn	Feb.1998	5	11.75	101.55	BAI Milan	11.327
IMI International Cayman Is.	150bn	Mar.1998	5	12.375	101.825	IMI Bank Luxembourg	11.870
GUILDERS							
Ned.Waterschapsbank	300	Mar.2003	10	7.125	100.75	ABN Amro	7.018
AUSTRALIAN DOLLARS							
GG Securities	100	Mar.2003	10	9.25	101	Hambros Bank	9.094
Export Fin.and Insurance	100	Mar.2003	10	9	101.8	Hambros Bank	8.723
ESCUDOS							
European Investment Bank	10bn	Feb.1998	5	12.5	100.75	ESSI	12.290
SWISS FRANCS							
Kyokuto Boeki Kaisha(e)♦★	23	Feb.1997	4	1.875	100	Daiwa Secs.Bk.(Switz.)	-
Kantor Biomedical(a,f)§★	39	Mar.1997	4.28	3.75	100	Daiwa Secs.Bk.(Switz.)	-
Kyosei Rentemu(a,g)§★	40	Jun.1997	4.36	3.75	100	Nomura Bank(Switz.)	-
Home Wide Corp.(q)♦★	30	Feb.1997	4	1.875	100	Nomura Bank(Switz.)	-
Eksportfinans★	150	Mar.1999	6	5	101.5	UBS	4.707
Finnish Export Credit	150	Mar.1998	5	5.25	102.125	Paribas(Suisse)	4.762
LUXEMBOURG FRANCS							
LB Schleswig-Holstein Int.★	500	Mar.2001	8	7.625	102.25	BCEE	7.245
Goldman Sachs Group★	750	Mar.1998	5	7.625	102.15	Cregem Int.Bank	7.099

Final terms and non-callable unless stated. ★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Semi-annual coupon. b) Denom.. $5000 + 1 wrt. Exercise price: Y856, a 2.51% premium. FX: 126.00Y/$. c) Denom.: $10,000 + 2 wrts. Exercise price: Y863, a 2.52% premium. FX: 125.30Y/$. d) Denom.: $10,000 + 2 wrts. Exercise price: Y1312, a 2.5% premium. FX: 126.00Y/$. e) Denom.: SFr50,000 + 1 wrts. Exercise price: Y600, a 2.56% premium. FX: 85.93Y/SFr. f) Conversion price: Y2050, a 2.5% premium. FX: 84.55Y/SFr. Final terms fixed on 1/2/93. Callable and putable at 108.75% on 31/5/95. Callable on 30/11/95 at 101.5% declining by 0.5% semi-annually. g) Conversion price: Y2831, a 2.51% premium over 6-day average share price. FX: 83.39Y/SFr. Callable on 31/12/95 at 108.625% declining by 2.875% semi-annually. Callable on 31/12/93 at 101.75% declining by 0.25% semi-annually on the condition that share price ≥ 150% of conversion price for 30 consecutive days. Putable on 31/12/95 at 108.625%. Conditional revision of conversion price in Apr.1995. h) Coupon pays 3-month Libor + 0.625%. Callable at par from Apr.1995. i) Coupon pays 6-month Libor - 0.0625%: minimum 7%, maximum 10.75%. j) Final terms fixed on 10/2/93. k) Final terms fixed on 8/2/93. l) Putable on 24/5/96 at par. m) Conversion price: 326p. Non-callable until 1/9/98. n) Fungible from payment date with $100m launched on 5/1/93. Plus 18 days accrued interest. Price, fees undisclosed. Coupon pays 6-month Libor - 0.125%; minimum 5%, maximum 9.25%. o) Fungible with outstanding FFr1.1bn. Package includes detachable warrants to buy the 8.5% 2008 OAT. p) 7% fixed coupon for first 6 months and 12.375% - 6-month Libor thereafter. q) Final terms fixed on 9/2/93. Callable from 16/2/95 at 102% declining by 0.5% semi-annually. r) Borrowers full name: Banco de la Nacion Argentina. s) Fungible with outstanding $100m launched in Nov.1992. Coupon pays 6-month Libor - 0.25%. Minimum 5%, maximum 8.25%. t) 11% fixed annual coupon in first 2 years and 18.75% - 2 × 6-month Libor thereafter. u) 7% fixed coupon in first six months and 12.5% - 6-month Libor thereafter. v) 7.375% fixed semi-annual coupon in first year and 12.375% - 6-month Libor thereafter. Callable in one year at par. w) Coupon pays 6-month Libor - 0.25%, minimum 5%, maximum 8.5%. x) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8.375%. y) Coupon pays 6-month Libor - 0.25%, minimum 5%, maximum 8%. z) Fungible with outstanding FFr2bn launched in Nov.1992. a1) Partly paid issue. 20% of principal amount payable on 26/3/93 and balance on 26/2/94. Note: Yields calculated on ISMA basis

RISK AND REWARD

ERM fear factor holds key to cost of currency options

THE COST of hedging foreign currency positions or cash-flows through the options market fell last week as pressure eased again in the European exchange rate mechanism.

By historic standards, though, the market's expectations of future currency volatility remain high, reflecting a nagging fear that it could take several more spins of the ERM roulette wheel before the currency system's future is settled.

By the end of last week, implied volatility levels across most currencies – the measure of uncertainty about future price movements, and the biggest influence on the cost of options – had fallen markedly.

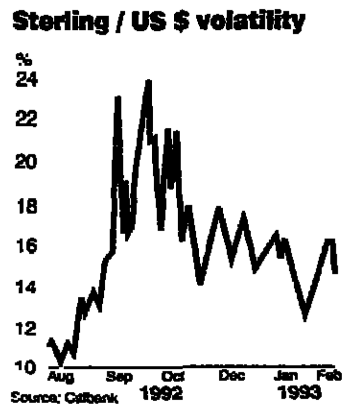
In the US$/D-Mark market, the most liquid of the currency option markets, three-month implied volatility fell during the week from around 14 per cent to just under 13 per cent. Options on the D-Mark/FFr rate also fell – although this market remains very thinly traded with wide spreads between bid and offer prices. At around 5 per cent by the end of the week, the one-month volatility level still remained well above the fluctuation level allowed for in the ERM narrow band, pointing to the continuing unease about the French franc before next month's elections.

Sterling volatility, which had lurched upwards the previous week on an unexpected interest rate cut, also eased. Three-month sterling/D-Mark volatility ended on Friday at 13.5 per cent, down sharply from the 16.5 per cent at which it had started the week.

All of this points to greater confidence about current exchange rate levels. As Mr Mike Hargrove, Citibank's chief currency options dealer in London, commented: "There is a much lower level of overall fear. At the moment, we think options represent reasonably good value."

It remains the case, though, that volatility levels in certain currencies are historically high. One-month £/$ volatility, for instance, is roughly in the middle of its trading range of the past three months or so, having come down from the peaks reached when the currency was bounced out of the ERM in September. It has not returned to pre-September levels, although £/DM has followed an almost identical pattern.

Sterling / US $ volatility



Source: Citibank

The cost of hedging cross-rates in Europe also remains high, discouraging investors from buying options. That, in turn, has kept many investors out of the European cash bond markets – despite a generally positive view about the prospects for the "core" bond markets – and led to a continuing focus on "basis trading" between futures contracts to take a position.

For instance Lazard Investors, the fund management arm of the UK merchant bank, said it has sold what it calls "substantial" holdings in the cash French government bond market and bought futures instead.

If ERM tension continues to ease, then a growing number of investors are likely to be tempted back into cash markets in the coming months. In France, for instance, the Pibor (short-term interest rate) futures contract had climbed to 89.25 by the end of the week, up a full point on seven days before, implying interest rates of 10.75 per cent. The cost of options on the contract fell sharply.

The greater certainty of falling French money market rates that this suggests could signal a sharp convergence between German and French bond yields to come.

What price currency protection at such times? The trouble is, should the fear factor return to the ERM, the cost of currency options will bounce back at levels which make today's look meagre by comparison.

Richard Waters

INTERNATIONAL BusinessWeek

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FIDELITY GLOBAL SELECTION FUND

Société d'Investissement à Capital Variable
Kansallis House, Place de l'Etoile
L-1021 Luxembourg

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of FIDELITY GLOBAL SELECTION FUND, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de L'Etoile, Luxembourg, at 11:00 a.m. on February 25, 1993, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended October 31, 1992.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R. J. Bateman, Charles T. M. Collis, Charles A. Fraser, Jean Hamilius and H. F. van den Hoven, being all of the present Directors.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3 %) of the outstanding shares of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: January 18, 1993

BY ORDER OF THE BOARD OF DIRECTORS

Fidelity Investments

LEADERSHIP IN ITALIAN CAPITAL MARKETS IN 1992

Credit Suisse Finance (Gibraltar) Limited — Guaranteed by Credit Suisse — Lead managed by Credito Italiano

European Investment Bank — Arranged and placed by Credito Italiano

International Bank for Reconstruction and Development — Arranged and placed by Credito Italiano

International Bank for Reconstruction and Development — Arranged and placed by Credito Italiano

Crediop — Consorzio di Credito per le Opere Pubbliche — Joint Lead-managed by Credito Italiano

International Bank for Reconstruction and Development — Joint Lead-managed by Credito Italiano

European Coal & Steel Community — Joint Lead-managed by Credito Italiano

Black & Decker — Co-managed by Credito Italiano

Telefonos de Mexico, S.A. de C.V. — Co-managed by Credito Italiano

Pirelli — Italian Lire 750,000,000,000 Multicurrency Medium Term Revolving Credit Facility — Arranged by Credito Italiano

Republic of Italy — Over Italian Lire 13,500,000,000,000 of Government Bonds during Primary Market Auctions — Bid for and placed by Credito Italiano

Pirelli — Tender offer for purchase of ordinary and savings Shares on behalf of Procordia — Advised on and arranged by Credito Italiano

CAPITAL MARKETS AND CORPORATE FINANCE DEPARTMENT

Credito Italiano

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ROTHSCHILD ASSET MANAGEMENT

BankAmerica Corporation
(Incorporated in the State of Delaware)
U.S.$400,000,000
Floating Rate Subordinated Capital Notes Due 1997

Holders of Notes of the above issue are hereby notified that for the next Interest Sub-period from 9th February, 1993 to 9th March, 1993 the following will apply:

1. Interest Payment Date: 9th March, 1993.
2. Rate of Interest for Sub-period: 5% per annum.
3. Interest Amount payable for Sub-period: US$194.44 per US$50,000 nominal.
4. Accumulated Interest Amount payable: US$625.00 per US$50,000 nominal.
5. Next Interest Sub-period will be from 9th March, 1993 to 13th April, 1993.

Agent Bank
Bank of America International Limited

Ireland
U.S.$100,000,000
Private Placement Issue
Floating Rate Notes 1997/2000
(Coupon No. 16)

Pursuant to Note conditions, notice is hereby given that for the interest period 8th February, 1993 to 6th August, 1993 (179 days), an interest rate of 5¼ per cent. per annum will apply (minimum rate condition).

Amount per coupon (No. 16) = U.S. $26,104.17
Payable on the 6th August, 1993

LTCB
The Long-Term Credit Bank of Japan, Limited
London Branch
Agent Bank

ECU 20,000,000
elf
Société Nationale Elf Aquitaine
Hybrid Reverse Floating Rate Notes due 1996

For the Interest period February 8, 1993 to February 7, 1994, the rate has been determined at 10.0625%. The interest payable on the relevant interest date February 7, 1994 will be ECU 10,090.07 per ECU 100,000 in bearer form.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
February 8, 1993
CHASE

U.S. $53,000,000
Banco Internacional S.N.C.
Floating Rate Notes Due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 8th February, 1993 to 6th August, 1993 the Rate of Interest has been fixed at 4.1875% p.a. and the Interest Amount payable on the relevant Interest Period Date 6th August, 1993 in respect of each U.S. $100,000 nominal amount of the Notes will be U.S. $2,082.12.

Reference Agent
Standard Chartered
Standard Chartered Capital Markets Limited
8th February, 1993

UK GILTS

Bank funding prepares for a heavy year

THE Bank of England has been particularly active in plying the gilt-edged market with stock over the past fortnight. There was the £2.5bn auction on January 27, followed on the same day by the announcement of £550m of stock for sale. And then last week, the Bank offered a further £750m of conventional and index-linked stocks.

Some economists calculate that the government may be fully funded already for the current financial year, so any further gilt issuance which takes place before March 31 may well go towards funding the very heavy borrowing requirement for 1993-1994.

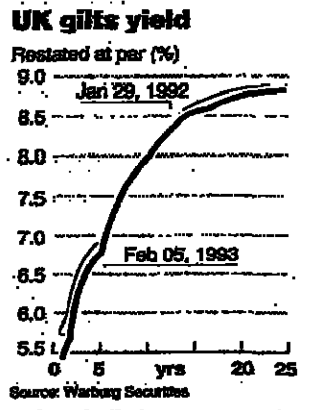
The big four gilt-edged marketmakers – BZW, Greenwell Montagu Gilt-Edged (GMGE), UBS Phillips & Drew and S.G. Warburg Securities – have provided slightly different funding calculations, according to their respective estimates for the amount spent on defending sterling, National Savings sales, and bank and building society purchases of gilts.

Mr Ifty Islam, economist at BZW, estimates that there is still some £1.7bn of gilt issuance to be done this year, based on an estimated public sector borrowing requirement of £37bn, and gross official gilt sales of £32.35bn for full funding.

"We had been assuming that the costs of defending the pound on Black Wednesday would see underlying reserves fall by £12bn in 1992-1993," says Mr Islam. However, he has since cut the estimate for the fall in underlying reserves to £10bn, and concludes that "rather than being fully funded, the authorities have £1.7bn of gilt issuance remaining".

UK gilts yield

Restated at par (%)



Source: Warburg Securities

However, economists at the other three big marketmakers estimate that the government has overfunded already. Mr Simon Briscoe, economist at GMGE, believes the government has overfunded by about £2bn.

This is based on a PSBR forecast of £39bn and estimates that the authorities have sold £32bn worth of gilts, £29bn of which count as funding. If National Savings receipts contribute £4bn to funding over the year, this leaves a required funding of £13bn.

Mr Briscoe points out that the sterling proceeds of foreign exchange intervention to support the currency can be regarded as contributing to funding, although these proceeds will not necessarily count within any single financial year.

"If all intervention proceeds count as funding in this financial year, then based on our forecast of £15bn total currency intervention, the authorities are overfunded by £2bn," he says.

However, he points out that the Bank will probably use every available opportunity to sell gilts, given the heavy borrowing requirement for 1993-1994. In his view, the gilt market is likely to see another auction between the Budget on March 16 and the financial year-end, as well as some tranches of stock.

Mr John Shepperd, economist at S.G. Warburg Securities, warns that "while we are now fully funded, based on an estimated PSBR of £37bn, and are eating into next year, a smallish overshoot on the PSBR could wipe out the overfund. We could see some tranches and one more auction at the end of March, so we could end up with some £3bn or more overfunding."

At UBS Phillips & Drew, economist Mr Philip Tyson calculates that the overfund is in the region of £2bn so far, and that the Bank "will take every opportunity [to fund] given the large increase in borrowing in the next financial year".

Economists forecast that in the 1993-1994 financial year the Bank will have to issue an average of £1bn of gilts a week to fund the PSBR. Hence, it makes sense for the Bank to try to forward fund as much as possible, even if a "mere" £3bn to £4bn of forward funding looks rather insignificant against an estimated £50bn of total gilt funding.

Sara Webb

AUSTRALIAN GOVERNMENT BONDS

Long end may extend rally after poll

THE Australian government bond market has plenty to mull over in the weeks ahead.

Mr Paul Keating, the Australian Prime Minister, yesterday ended months of speculation by calling a national election for March 13, saying that the campaign would be fought on economic issues. In addition, he promised to announce new economic policies tomorrow to "dramatically expand business opportunities and accelerate economic growth".

Early last week, meanwhile, the Australian bond market sprang back to life as good news on inflation, combined with relative currency stability, triggered a rally at the long end.

The market has been subdued since the last easing of monetary policy in June, when official interest rates were cut by 75 basis points to 5.75 per cent – the 12th reduction since rates peaked at 18 per cent in January 1990.

The 10-year bond yield has hovered around 9 per cent since September – about 5 percentage points below the February 1989 peak of 14.26 per cent – but looked unlikely to move much lower before the impending election. At the short end, the yield on the 90-day bond has been steady at just below 6 per cent since August, fluctuating occasionally on unfulfilled rumours that official interest rates might be eased.

However, the yield on the long bond dipped to 8.6 per cent last week, following the release of the December quarter Consumer Price Index figures which showed that inflation had fallen to a 30-year low of 0.3 per cent. The rally was helped by renewed strength at the long end in the US, and a steadying of the Australian dollar, which has recovered from a low of 66.35 US cents in mid-January to trade at just under 68 cents.

The rally at the long end was not reflected at the short end, largely because of indications from the Reserve Bank that official interest rates will not be reduced because of continuing concern about the currency. Investors were clearly impressed by the bank's statement that "nervousness" in the foreign exchange markets "effectively precludes" a further easing in monetary policy.

However, while the currency is clearly now the main criterion for further interest rate movements, economists say the short-term outlook remains difficult to judge.

Precedent suggests that uncertainty about the election result is likely to exacerbate pressure on the Australian dollar caused by weak commodity prices and reduced forecasts for world economic growth. However, the currency may be bolstered by interest rate reductions elsewhere, which would encourage speculative funds to flow into Australia.

The currency should also benefit from proposals by the conservative opposition to increase the independence of the Reserve Bank and set tight inflation targets if it wins the election.

Mr Chris Caton, chief economist at Bankers Trust Australia, says the medium-term outlook for the dollar is positive, given the early election date. If this view is correct, it may be possible for the authorities to ease monetary policy after the election, or at least to avoid raising interest rates to defend the currency.

Whichever party wins the election will seek to stimulate more robust economic growth to reduce unemployment, currently 11.3 per cent, which is in turn contributing to sluggish economic growth. Mr John Dawkins, the treasurer conceded recently that growth in gross domestic product will be limited to 2.5 per cent this year, compared with earlier forecasts of more than 4 per cent. However, fears expressed by private sector economists that the economy will slip back into recession have eased following encouraging figures for retail sales and housing starts.

The government also announced last week that the deficit on the current account declined in December, suggesting that the balance of payments may turn out to be a less important constraint on growth than economists feared.

The encouraging conclusion is that the outlook for the long bond is bullish, raising the prospect that a further rally to around 8 per cent may be justified after the election. Much will depend, however, on the stability of the currency and the course of interest rate movements overseas.

Kevin Brown

US MONEY AND CREDIT

Investors have high hopes of Clinton delivering goods

THE DATE February 17, when President Clinton is due to unveil his economic plans, is taking on immense importance for the US credit markets.

For weeks now the bond market has been rallying in the expectation that Mr Clinton will unveil a package which seriously sets about reducing the US federal budget deficit. February 17 will determine whether or not that faith is well placed.

The stakes are extremely high. Mr David Hale, of Kemper Financial Services, says it will be "one of the most defining moments" of the Clinton Presidency and "there is no way to overstate the importance of the message which it will convey, both in terms of policy substance and political themes".

A credible message could give a further boost to the bond market rally, while a botched job would almost certainly send the market sharply into reverse.

For now, though, the market seems able to shrug off any amount of "bad" news – that is to say good news about the US economy, which normally sends bond prices lower on fears of inflation.

The past week has brought a further raft of evidence to support the view that the US economy is now growing reasonably strongly: new home sales, car sales and retail sales have been surging; the index of leading economic indicators had its largest monthly jump in a decade in December; and factory orders leapt 5.3 per cent in January.

Despite this, the bond market continued to rally, with the benchmark 30-year issue ending on Friday night with a yield of 7.15 per cent, down from 7.19 a week earlier. Several factors besides Clintonomics lie behind this strength.

Perhaps most important, investors are finally coming to accept that inflation is not a near-term threat. Productivity improvements are helping the economy to expand with a minimum of cost pressures, as was underlined last week by figures showing a 4 per cent annual rate jump in productivity in the fourth quarter.

Last Friday's much-awaited January employment report was also sufficiently mixed – a sizeable drop in the jobless rate was due mainly to people leaving the workforce – for the market to keep its nerve.

Renewed overseas interest in US bonds may also have been a factor in the market's strength. Rate cuts on Thursday by both the Bundesbank and Bank of Japan make US yields that more competitive, while the strengthening dollar offers the possibility of currency appreciation.

Additionally, the market was bolstered by an announcement that the government will be scaling back the size of this week's quarterly refunding auction, to $35.5bn from November's $37bn, with the cuts coming in the 30-year issue and 10-year maturity.

The treasury left open the question, which has been circulating in Washington circles for more than a year, of a policy switch involving reduced borrowing at the 30-year maturity, in the hope of lowering stubbornly high long rates. The treasury is to do a "thorough review" of the borrowing mix over the next few months.

But the market's strength has also been due to the fact that just now good economic news may also be good for bonds, since a self-reviving US will put less pressure on Mr Clinton to produce an expensive stimulatory package (the market is happy with signs that he is aiming for around $31bn), and gives him more scope to cut the deficit.

The long bond is already on the point of reaching its cyclical low of 7.11 per cent, and many analysts expect it to breach the 7 per cent barrier during 1993, taking yields to their lowest level in two decades. But first Mr Clinton must deliver the goods.

Martin Dickson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 6 3/8 96	200	102⅞	+⅛	5.32
ABBEY NATIONAL 9 3/4 96	200	105½		4.30
ABN 9 1/8 96	200	106¼	+⅛	4.65
AETNA LIFE & CAS 7 3/4 16	200	102⅝	+⅛	7.50
ALBERTA PROVINCE 8 5/8 96	750	109½	+⅛	5.77
ALBERTA PROVINCE 9 3/8 95	600	110⅛	+⅛	5.18
AMERICAN EXPRESS 0 00	450	55⅛	+½	7.76
AMERICAN GENERAL 9 3/4 95	100	109⅛	+⅛	5.29
AMERICAN INTL 0 04	750	43⅛	+⅛	7.51
AMOCO CANADA 7 1/4 02	250	102⅝	+⅛	6.89
ASFINAG 7 3/8 02	200	104⅛	+⅛	6.71
[illegible]				
RALSTON PURINA 11 3/4 95	150	111⅞	+⅛	5.90
REED PUBLISHING 9 5/8 97	150	112	+⅛	6.41
SAINSBURY 9 1/8 96	150	110	+⅛	5.98
SAS 10 99	200	109¼	+⅛	7.91
SAS 10 1/8 95	150	109⅝	+⅛	6.36
SBAB 9 1/2 95	500	109⅞	+⅛	5.31
SBC FINANCE 7 3/4 96	200	106¼	+⅛	5.61
SEAGRAM CO 8 1/2 96	100	101⅝	-⅛	7.89

	Issued	Bid price	Chg on week	Yield
SEARS EURO TRUST 8 3/4 96	750	107⅛	+⅛	6.00
SEARS O/S FIN ZERO 98	500	66½	+⅛	7.79
SEARS ROEBUCK EURO 9 3/4 95	500	108⅛	+⅛	5.69
SKANDINAVISKA ENSK 7 3/8 97	300	101⅝	+⅛	6.91
SNCF 7 1/4 94	175	103⅛		3.93
SNCF 9 1/2 98	150	114⅛	+⅛	6.22
SPAIN 6 1/2 99	1500	100	+⅛	6.49
STATE BK NSW 8 1/2 96	200	107⅛	+⅛	5.94
STATOIL 7 5/8 94	200	102⅞		4.71
SWEDEN 5 1/2 95	2000	100⅞	+⅛	5.15
SWEDEN 9 1/4 98	350	112⅞	+⅛	6.20
SWEDISH EXPORT 8 3/8 96	700	108⅛	+⅛	5.47
[illegible]				
KFW INTL FINANCE 7 1/4 97	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN 8 97	2500	103⅞	+⅛	7.00
TOKYO ELEC POWER 7 5/8 02	1000	103⅝	+⅛	7.13
TURKEY 10 3/4 96	500	104¼	-2	9.32
UNITED KINGDOM 7 1/8 97	5000	101	+⅛	6.86
VOLKSWAGEN COM 8 5/8 97	400	104⅞	+⅛	7.30
WORLD BANK 0 15	2000	23⅞	+⅛	6.61
WORLD BANK 5 3/4 96	300	98⅝	+⅛	6.34
WORLD BANK 8 3/4 00	1250	111⅛	+½	6.74

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	102⅛		5.77
COUNCIL EUROPE 4 3/4 98	250	98	+⅛	5.21
EIB 6 3/4 04	300	107½	+⅛	5.84
ELEC DE FRANCE 7 1/4 06	100	109½	+⅛	6.16
FINLAND 7 1/4 99	300	108½	+⅛	5.68
GENERAL MOTORS 7 1/2 95	100	102⅝	+⅛	6.21
HYUNDAI MOTOR FIN 8 1/2 97	100	107	+1	6.67
ICELAND 7 5/8 00	100	108	+⅛	6.24
JAPAN DEV BK 5 1/2 94	100	100	+⅛	5.50
KOBE 6 3/8 01	240	104	-	5.76
NEW ZEALAND 4 7/8 99	200	97⅛	+⅛	5.42
[illegible]				

[illegible]		Prem		
MORINAGA	[illegible]	[illegible]		
NICHIREI CORP	11/06/98	13¼	+⅛	31.96
NIPPON COMSYS	31/01/95	¼	-⅛	
NISSHIN STEEL	18/04/96	½		
ROYAL HOTEL	14/03/95	¼		
SMC	25/07/95	1½	-⅛	60.89
TAKASHIMAYA	02/07/96	2	+⅛	
TOYO SASH	05/08/97	2	-⅛	
YAMANOUCHI PHARM	01/03/94	3⅛		21.42

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on February 5

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 08.02.93 / Final Prices for Trading on 11.01.93

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.25	17.54	17.54
0100	21.40	27.71	29.22
0130	26.95	23.54	24.87
0200	26.95	27.71	29.18
[illegible]			

... the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 07.02.93 / Final Prices for Trading on 10.01.93

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.19	17.72	17.72
0100	27.65	26.49	28.05
0130	27.65	26.49	28.04
0200	27.65	26.49	27.99
[illegible]			

... the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Grindlays Eurofinance B.V.
U.S.$100,000,000
Guaranteed Floating Rate Notes 1994
Guaranteed on a subordinated basis by
ANZ Grindlays Bank plc
In accordance with the provisions of the Notes, notice is hereby given that for the interest period 8 FEBRUARY 1993 to 9 AUGUST 1993 the Notes will bear an interest rate of 5¼% per annum.
The interest payable on the relevant interest Payment Date 9 AUGUST 1993 against Coupon No.19 will be U.S.$265.42.
Agent Bank
ANZ Bank

Copenhagen Telephone Company
Incorporated
ECU 30,000,000 10¼% 1985-1995 Bonds
On January 25, 1993, Bonds for the amount of ECU 6,000,000 have been drawn in the presence of a Notary Public for redemption at par on March 12, 1993 in accordance with paragraph *Amortization* of the Terms and Conditions of the Bonds.
The following Bonds will be redeemable, coupon due March 12, 1994 and following attached:
001 to 5349 incl. 29350 to 30000 incl.
Amount outstanding: ECU 12,000,000
Bonds previously drawn and not yet presented for redemption:
7656 to 7662 incl. | 11281 to 11290 incl. | 23665 to 23669 incl.
7689 to 7694 incl. | 11446 and 11447 | 23680 to 23703 incl.
7821 | 11523 to 11525 incl | 23732 to 23747 incl.
8338 to 8340 incl. | 12033 to 12035 incl | 23826 to 23832 incl.
8888 to 8889 incl | 12215 to 12217 incl | 23835
10291 and 10292 | 12570 to 12573 incl. | 23847 to 23913 incl
10843 to 10850 incl. | 12669 and 12670 | 23920 to 23925 incl
10378 and 10879 | 12992 | 23964 to 23987 incl.
11097 to 11099 incl | 23526 | 27501 to 27525 incl
11175 to 11177 incl | 23529 and 23530
11272 to 11274 incl | 23636 to 23648 incl
Luxembourg, February 8, 1993
The Fiscal Agent
Kredietbank Luxembourg

ALLCO INTERNATIONAL LIMITED
Guaranteed Floating Rate Notes 1998
Unconditionally and irrevocably guaranteed by THE LONG TERM CREDIT BANK OF JAPAN, LIMITED
NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 3.5% p.a. and that the interest payable on the relevant Interest Payment Date August 9 1993 against Coupon No. 13 in respect of US$250,000 nominal of the Notes will be US$4664.72.
February 8, 1993
By Citibank, N.A. (Issuer Services) London, Agent Bank

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WORLD STOCK MARKETS

CANADA

INDICES

NEW YORK

DOW JONES	Feb 5	Feb 4	Feb 3	Feb 2	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3442.14	3416.74	3373.79	3328.67	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.70	105.57	105.27	105.12	105.70 (5/2/93)	98.41 (20/3/92)	105.70 (5/2/93)	54.99 (1/10/81)
Transport	1585.58	1579.54	1542.48	1528.78	1585.58 (5/2/93)	1304.40 (28/8/92)	1585.58 (5/2/93)	12.32 (8/7/32)
Utilities	233.73	234.16	232.04	229.53	234.16 (4/2/93)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Ind. Day's High 3463.21 (3441.33) Low 3391.62 (3367.03) (Theoretical♠)
Day's High 3443.22 (3423.50) Low 3410.80 (3368.92) (Actual♠)

STANDARD AND POOR'S

	Feb 5	Feb 4	Feb 3	Feb 2	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	448.93	449.56	447.20	442.56	449.56 (4/2/93)	394.50 (8/4/92)	449.56 (4/2/93)	4.40 (1/6/32)
Industrials	518.41	518.43	516.62	511.33	518.43 (4/2/93)	478.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.98	44.32	43.70	43.11	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	247.60	247.98	246.45	243.98	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (28/4/42)
Amex Mkt. Value	416.58	415.51	414.89	412.18	418.99 (12/2/92)	384.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	700.99	706.85	708.67	705.12	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Jan 29	Jan 22	Jan 15	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.18	3.17	2.88
	Feb 3	Jan 27	Jan 20	year ago (approx.)
S & P Industrial div. yield	2.48	2.51	2.60	2.56
S & P Indl. P/E ratio	27.44	26.96	26.82	25.43

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Gt Wstn Fin	8,300,800	18¾	- ½
Gen Motors	7,902,000	38	+ ½
Chrysler	7,799,100	40¾	+ 1
Mattel	7,199,200	23¾	- ⅛
Calif Fed	4,069,100	4½	+ ¼
Waste Man	3,620,600	37	- ⅜
Merck	3,536,300	38½	+ ⅜
IBM	3,142,900	52	+ ⅝
Union Carbide	2,843,800	17⅞	- ⅜
Conagra	2,628,000	28	- 1¼

TRADING ACTIVITY

† Volume (Millions)	Feb 5	Feb 4	Feb 3
New York SE	324.384	348.890	342.530
Amex	19.266	22.421	20.579
NASDAQ	(d)	241.792	249.782
NYSE			
Issues Traded	2,458	2,472	2,449
Rises	898	1,339	1,324
Falls	1,018	609	600
Unchanged	541	524	525
New Highs	204	358	258
New Lows	14	14	20

CANADA

TORONTO	Feb 5	Feb 4	Feb 3	Feb 2	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2900.02	2862.59	2808.54	2774.98	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3377.91	3368.40	3344.03	3321.83	3666.08 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1757.19	1762.08	1762.47	1743.72	1837.89 (16/1/92)	1663.18 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Feb 5	Feb 4	Feb 3	Feb 2	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1543.3	1531.4	1530.2	1530.2	1684.60 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	595.8	586.6	590.5	593.1	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	335.88	333.76	333.30	330.17	458.57 (24/2/92)	281.41 (13/8/92)
Traded Index (2/1/91)	801.39	795.24	797.19	788.27	1089.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1226.91	1220.24	1212.88	1208.60	1235.40 (2/6/92)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	284.55	288.54	285.66	283.93	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	901.0	881.4	875.1	875.8	935.80 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	494.11	486.14	478.01	478.77	555.83 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1908.18	1854.38	1824.14	1787.31	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	643.00	630.27	625.76	620.98	725.28 (26/5/92)	585.61 (12/10/92)
Commerzbank (1/12/53)	1882.80	1785.89	1773.00	1761.20	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1641.37	1601.61	1601.53	1583.88	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5747.21	5778.01	5710.80	5662.53	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1349.42	1342.38	1324.44	1344.06	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	504.21	498.14	490.99	491.50	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1114.0	1100.0	1084.0	1085.0	1114.00 (5/2/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17332.90	17190.63	17222.03	17186.31	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1308.47	1300.83	1307.60	1301.81	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1690.33	1684.42	1685.38	1674.16	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	644.83	642.85	638.24	626.38	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	307.2	305.0	303.4	302.0	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	206.9	205.3	204.2	203.3	215.50 (28/5/92)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	696.41	693.98	685.80	690.58	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1342.61	1337.04	1331.68	1334.73	1590.65 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	410.87	411.09	412.49	412.54	416.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	871.0♥	885.0	893.0	894.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4589.0♥	4581.0	4535.0	4544.0	4689.00 (4/6/92)	3936.60 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	677.31	684.04	678.34	666.18	709.77 (8/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	238.82	237.82	238.40	233.98	286.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	928.2	908.8	902.6	908.6	1014.50 (11/5/92)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	943.3	934.8	931.0	933.8	943.30 (5/2/93)	746.50 (9/1/92)
SBC General (1/4/87)	719.2	713.8	710.3	710.3	719.20 (5/2/93)	598.40 (28/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3621.48	3571.49	3553.36	3542.26	5391.63 (30/1/92)	3098.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	989.05	972.16	975.28	989.80	998.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	504.6*	502.5	501.3	498.8	542.10 (7/1/92)	487.50 (9/4/92)
Euro Top-100 (26/6/90)	915.55	903.74	895.44	885.57	978.55 (25/5/92)	772.52 (5/10/92)

**Saturday January 30: Taiwan Weighted Price: 3,374.56, Korea Comp Ex. 670.54
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday, 5th February, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motor	16.6m	387	+12	Bank Yokohama	4.3m	865	
Joyo Bank	11.7m	850	-10	Nikon Corp	3.8m	613	+26
Oki Electric	10.7m	411	+18	Toshiba Corp	3.7m	613	
Nissan Motor	5.4m	639	+10	Npn Steel Corp	3.5m	290	+2
Gejoen Kanko	4.7m	245	+7	Shizuoka Bank	3.1m	1,300	-10

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Frankfurt	+49 69	156850	5964483	Tokyo	+81 3	32951711	32951712
Geneva	+41 22	7311604	7319481	Stockholm	+46 8	6660065	6660064
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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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Sharp (Albert E.) & Co (1000)F
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries 0277 227300 Dealing 0277 261010

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European	5	106.40	107.10	112.70	1.68	-
Intl Bond & Conv	5	123.50	123.80	130.30	5.54	47424
Pooled Pension ♦	7	144.9	150.7	161.0	-	47257
Smaller Cos	5	60.91	62.77	66.07	2.06	46203
UK General	5	115.70	117.40	123.60	2.90	-

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Income	5	387.29	387.29	412.01	5.02	40913
Global Inc	5	57.16	57.16	60.81	4.01	40916
Brit Leaders	5	314.16	314.16	334.21	3.07	40914
Intl Leaders	5	186.71	186.71	198.63	1.66	40915
P'ns Res Bal Gwth Inc ¥	3¼	53.29	54.7	56.83	2.99	-

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
European Trust	6	51.09	51.14	54.46	1.42	42492
Far Eastern Tst	6	55.70	56.53	60.14	0.82	-
Smaller Cos	5	138.3	142.8xd	151.91	2.19	47431

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
S & W American ♦	5	283.7	284.3	300.8	0.87	41390
S & W Capital	5	114.4	114.4xd	122.3	1.83	40281
S & W Cash ♦	0	102.26	102.26	102.26	6.41	47900
S & W European	5	112.0	112.1	118.6	0.88	40253
S & W Far Eastern	5	114.5	115.7	122.4	0.08	46474
S & W Growth	5	122.7	124.1xd	131.3	1.56	41391
S & W Income	5	108.8	109.9	116.3	5.22	41392
S & W Magnum	5	121.5	121.5	130.2	1.75	47800
S & W Smllr Secs	5	294.3	300.9	318.4	0.73	41393
S & W Throgmorton	5	140.2	140.2xd	150.4	1.65	40263

Societe Generale Touche Remnant (1200)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Gwth	5¼	86.48	86.48	92.49	0	41525
Eur Sp Sits Acc	5¼	43.71	43.71	46.44	0	41526
Eur Sp Sits Inc	5¼	41.28	41.28	43.86	0	41527
Far East Opps Inc	5¼	28.51	28.51	30.72	0	41660
Far East Opps Acc	5¼	29.30	29.30	31.57	0	41685
General Growth	5¼	96.85	96.85xd	103.80	0	41528
General Growth Acc	5¼	99.30	99.30	106.40	2.41	47438
Global Tech	5¼	125.90	125.90	135.80	0	41529
Income Growth	5¼	97.81	97.81xd	105.10	3.93	41530
Income Growth Acc	5¼	99.68	99.68	107.20	3.94	-
Income Monthly	5¼	55.62	55.62	59.48	5.28	41531
Japan Growth	5¼	63.44	63.44	67.45	0	41532
Overseas Growth	5¼	71.25	71.25	75.85	0	41533
Smaller Cos	5¼	67.91	67.91	73.02	1.94	41534
Special Opps	5¼	91.84	91.84xd	98.75	2.13	41535
Wwde Sp Sit Acc	5¼	43.06	43.06xd	46.36	0	41538
Wwde Sp Sit Inc	5¼	42.96	42.96xd	46.25	0	41539
SGTR Pension Portfolio						
American Growth	6	51.79	52.62	55.78	-	46977
Eur Sp Sits	6	35.14	35.47	37.60	-	46978
General Growth	6	35.73	36.37	38.56	-	46979
Global Tech	6	49.29	50.51	53.54	-	46980
Income Growth	6	32.79	33.47	35.48	-	46981
Japan Growth	6	19.85	20.06	21.26	-	46982
Managed Equity	6				-	46983
Overseas Growth	6	30.95	31.31	33.19	-	46984
Smaller Cos	6	17.50	17.88	18.95	-	46985
Special Opps	6	21.09	21.55	22.84	-	46987
Stlg Liquidity	6	34.73	34.73	36.18	-	46986
Wwide Sp Sits	6	35.01	35.81	37.96	-	46988

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd Bournemouth 0202 298422

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Cash	1	50.19	50.19	50.69	6.5	45246
Ctrifld Prfrnce	5½	54.79	55.17xd	58.84	7.8	46075
Ethical	5½	50.70	51.75	55.05	4.5	46998
European Growth	5½	55.04	55.24	58.92	3.3	46171
Income	5½	51.68	52.15	55.62	6.1	41394
Intl Growth	5½	73.85	74.20	79.14	3.0	41395
Managed	5½	66.63	67.29	71.77	3.8	41396
UK Growth	5½	55.29	55.93xd	59.65	4.8	41397

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Managed Acc	5¼	42.40	42.40	45.09	1.85	41398
UK Equity Gth Acc	5¼	56.47	57.50	61.10	1.19	41399
UK Eq High Inc Inc	5¼	34.43	34.43	36.59	3.87	41400
UK Eq High Inc Acc	5¼	40.33	40.33	42.86	3.87	46962
UK Equity Gen Acc	5¼	53.35	54.31	57.71	2.37	41401
UK Equity Gen Inc	5¼	40.66	41.39	43.98	2.37	41402
UK Larger Cos Acc F	7½	360.0	364.7	395.8	3.87	41403
UK Larger Cos Inc F	7½	279.9	283.5	307.7	3.87	41404
Gilt & Fxd Int Inc	5¼	29.85	29.92	31.66	6.71	41405
O'seas Lrg Cos Acc F	7½	249.9	254.0	275.6	1.75	41406
Nth American Acc	5¼	45.95	46.24	49.14	0.80	41407
Far East Acc	5¼	45.90	45.90	48.77	0.40	41408

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Challenger	2½	92.54	92.54	94.73	0.00	41596
Short Dtd Gilt	1¼	109.4	109.4	110.8	6.47	41597
U.S. Govmnt Bond	1¼	$0.7084	0.7084	0.7177	0.00	41598
Gilt Income	4	51.85	51.85	53.96	8.00	47010
Gilt Growth	4	64.48	64.48	67.11	0.00	47009
City Reserve	0	52.10	52.10xd	52.10	6.23	47006

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stockmarket Fd F	5	65.41	65.62	69.80	2.22	45998

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Int'l Expt Feb 3	672.2	694.2	1.00	40105

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)
Charitable Funds

	Bid Price	Offer Price	Yield Gross	City-line
UK Growth & Income	53.62	55.50	4.9	-
Income Plus	49.58	50.60	7.5	-

James Capel Fund Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-line
European Exempt	£109.044	110.261xd	3.03	-
Japanese Exempt	£109.272	110.879	-	-
Managed Exempt	£127.51	134.85xd	3.21	43128
North American Exempt	£106.076	108.128	1.11	-
Pacific Exempt	£106.870	109.167	3.10	-

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	Yield Gross	City-line
Inv Fund Dec 31	582.50	586.60	5.08	40251
Fxd Int Sec Dec 31	151.95	152.70	9.50	40252

Deposit Fund: See Money Market Trust Funds.

Charinco/Charishare‡‡ (1000)F
33 King William Street, EC4R 9AS 071-280 2800

	Bid Price	Offer Price	Yield Gross	City-line
Charinco Inc	176.6	178.6	9.18	40254
Charinco Acc	1036	1047	9.18	40255
Charishare Inc	188.7	192.7	4.15	40256
Charishare Acc	244.2	249.3	4.15	40257

CAFINVEST–Charities Aid Foundation
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333

	Bid Price	Offer Price	Yield Gross	City-line
Balanced Growth	63.31	64.26	3.83	47779
Income	59.50	60.62	7.25	47780

COIF–Charities Official Inv Fd‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	Yield Gross	City-line
Income Dec 31	573.11	578.96	5.16	40258
Accum Dec 31	2209.52	2215.66	-	40259
Fixed Int Income Dec 31	124.00	124.28	9.33	43071
Fixed Int Accum Dec 31	159.85	160.17	-	43070

Deposit Account: see Money Market Trust Funds

Charity Fixed Int Fd/Charity Equity Fd
33 Gutter Lane EC2V 8AS 071-382 6900 (Gen Enquiries)
071-382 3919 (Dealing)

	Bid Price	Offer Price	Yield Gross	City-line
Charity Equity Inc	115.70	118.40xd	3.70	47743
Charity Equity Acc	118.90	121.70xd	3.70	47744
Charity Fixed Int Inc	104.50	105.60xd	8.70	47745
Charity Fixed Int Acc	106.50	107.70xd	8.70	47746

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	Yield Gross	City-line
Managed Feb 3	161.2	168.0	3.12	40369
Japan Feb 4	90.74	93.24	0.54	40370
Sm Jap Cos Feb 5	437.4	449.4	0.12	40372
Latin American Feb 2	116.2	122.0	0.41	47693

Fidelity Investment Services Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Exempt American Portfolio	141.2	143.7	0.00	-
Mngd Pens P'folio	162.3	166.9	0.00	46885

Fledgeling Charity Portfolio
25 Copthall Avenue EC2R 7DR 071-638 5858

	Bid Price	Offer Price	Yield Gross	City-line
UK Equity	£1.1036	1.1422	3.99	-
Bond	£1.0290	1.0535	9.34	-

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Am Exempt	£656.76	666.30	1.90	40456
Gen Exempt	£147.22	150.44	4.31	40457
Jap Exempt	£436.23	444.96	1.22	40458
Pacific Exempt	£143.19	146.97	1.87	46888

Cannon Assurance Ltd (z)
1 Olympic Way, Wembley HA9 0NB 081-902 8876

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 0483 715033

Guardian Royal Exchange
Royal Exchange, EC3 071-283 7101

Legal & General – Contd.

NM Life Assurance Ltd

Continued on next page

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Prolific Life & Pensions Ltd
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	Citymline
Life Funds				
Balanced Grth Mngd	676.7	719.9	–	43315
Adventurous Mngd	167.2	177.9	–	46402
Cautious Mngd	128.5	136.8	–	46403
Cash Fd	317.5	334.4	–	43316
Property Fund	216.7	230.6	–	43317
Equity Fund	788.1	838.5	–	43318
Fxd. Int. Fund	415.6	438.0	–	43319
International	348.8	371.1	–	43320
High Income	608.1	647.0	–	43321
Far East	460.2	489.6	–	43322
North American	487.9	519.1	–	43323
Special Sits	555.6	591.1	–	43324
Technology	490.4	521.8	–	43325
Extra Inc Fd	330.3	351.4	–	43326
Convertible & Gilt Fd	159.2	169.4	–	43327
American Income	291.6	325.9	–	43328
Gilt Fund 20	446.3	474.8	–	43329
European Fund	125.9	131.9	–	43330
Pref & Fixed Int	113.6	120.9	–	46332
UK Blue Chip	119.0	125.5	–	47044
Recovery Fund	117.4	123.8	–	47056
Equity Income Dist	109.7	116.6	4.88	47816
Managed Dist	103.4	110.1	5.40	47817
High Yield Dist	104.9	110.6	6.30	44422
Pension Funds				
Balanced Grth Mngd Pens Acc	800.0	842.2	–	43331
Adventurous Mngd Pens Acc	177.8	187.2	–	46404
Cautious Mngd Pens Acc	149.0	156.9	–	46405
Building Soc. Acc	366.1	385.4	–	43332
Property Pens. Acc	295.4	311.0	–	43333
Fix. Int. Pens. Acc	651.3	685.6	–	43334
Equity Pens. Acc	1032.2	1086.6	–	43335
International Pens Acc	326.5	343.7	–	43336
High Inc Pens Acc	687.4	723.6	–	43337
Tech Pens Acc	348.2	366.6	–	43338
N American Pens Acc	378.0	397.9	–	43339
Far Eastern Pens Acc	469.3	493.9	–	43340
Special Sits Pens Acc	459.3	483.7	–	43341
Extra Income Pens Fd	407.4	428.9	–	43342
Convertible & Gilt Pens	193.9	204.2	–	43343
American Inc Pens	222.5	234.3	–	43344
European Pens	138.2	145.5	–	43345
Managed Cash Pens	172.4	181.5	–	46753
Pref & Fixed Pens	132.2	139.2	–	46333
UK Blue Chip	126.8	133.5	–	47057
Recovery Fund	126.7	133.4	–	47058
Balanced With Profits Pens	108.7	114.5	–	46221
Other Funds				

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	Yield Gross	Citymline
Life Funds				
JRA/M&G Managed	118.6	124.9	–	46639
JR Scottish Amicable Mngd	114.3	120.4	–	46976
JR St James's Place Mngd	121.6	128.0	–	47133
Deposit	100.4	105.7	–	46281
Far East	119.5	125.8	–	46306
Gilts	106.5	112.2	–	46397
Greater European	114.7	120.8	–	46408
North American	139.9	147.3	–	46659
UK Equity	119.7	126.0	–	47134
Pension Funds				
JRA/M&G Managed cap	117.4	123.6	–	46800
JRA/M&G Managed acc	121.6	128.1	–	46714
JR Scottish Amicable Mngd cap	114.0	120.1	–	47129
JR Scottish Amicable Mngd acc	118.1	124.4	–	47128
JR St James's Pl Mngd cap	127.1	133.8	–	47131
JR St James's Pl Mngd acc	131.7	138.7	–	47130
Deposit cap	100.2	105.5	–	46285
Deposit acc	103.8	109.3	–	46284
Far East cap	116.5	122.7	–	46395
Far East acc	120.7	127.1	–	46358
Gilts cap	104.1	109.6	–	46401
Gilts acc	107.9	113.6	–	46399
Greater European cap	116.0	122.2	–	46578
Greater European acc	120.2	126.6	–	46489
North American cap	140.8	148.3	–	46957
North American acc	146.0	153.7	–	46960
UK Equity cap	119.9	126.3	–	47136
UK Equity acc	124.2	130.8	–	47135

Royal Heritage Life Assurance Ltd
Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	Yield Gross	Citymline
Multi Grwth		993.6	–	43586
Multi Grwth A Cap	388.1	408.5	–	46251
Multi Grwth A Accum	593.8	625.1	–	43587
Op Prop	408.7	430.2	–	43588
Op Equity	876.1	922.3	–	43589
Op High Yld	510.1	537.0	–	43590
Op Man	718.7	756.6	–	43591
Op Dep	370.3	389.8	–	43592
Op Inc Dist	204.7	215.5	–	43594
Op Int Man	389.1	409.6	–	43595
Op Emerging Co's	441.8	465.1	–	43597
Op Money	103.1	108.6	–	46649
Europath	99.8	105.1	–	
Pension Funds				
Property Ser B	799.9	799.9	–	43598
Equity Ser B	2606.1	2743.3	–	43599
Fixed Interest Ser B	961.9	1012.6	–	43600

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

	Bid Price	Offer Price	Yield Gross	City-line
John Govett Management (IoM) Ltd				
Dlr Geared Curr NAV Feb 5	$14 56		-	45839
Paragon Plus Red Feb 1	£9 85		-	46732
Paragon Stlg Red Feb 1	£11 33		-	46733
SE Asia Wt NAV Feb 4	$9 71		-	46013
Govett Mgd Fut Feb 5	£13 34	14 59	-	44516
Govett Glogd Fut Feb 5	$9 45	10 34	-	47538
Hrn Horizons Inv Feb 4	$14 84		-	46843
Hrn Horizons Inv Wts Feb 4	$7 04		-	-
Dlr Geared Bd Feb 5	$7 29		-	46440
IBI Global Funds Limited				
Intl Stlg Gwth	£21 26	21 39	-	45289
Intl SUS Gwth	$18 14	19 11	-	45290
High Income Gilt	£26 52	27 49	-	45291
International Equity	£22 12	23 29	-	45292
International Bond	£23 97	24 85	-	45293
Managed Currency	£27 98	28 38	-	45294
Sterling Currency	£26 73	27 01	-	46030
US$ Currency	$37 85	38 25	-	46031
Irish £ Currency	I£15 79	15 96	-	46029
R & H Fund Managers Ltd				
LFM Sterling Fd	£11 21	11 69	-	44459
B F Offshore Inc Fd Ltd	£12 23	12 75	-	46580
RMC Offshore Fd	£9 85	10 66	-	46450
Rehan UAas W/W S/S	£11 36	11 63	-	46581

JERSEY (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Following the cuts

FOREIGN exchange dealers will be coming to terms this week with the implications of last week's cut in the Bundesbank's officially posted interest rates, *writes James Blitz.*

The 0.25 percentage point cut in the Bundesbank's Discount rate, to 8.0 per cent, was hailed by some analysts as the strongest indication yet that the German authorities would defend the European exchange rate mechanism at any cost.

"It was a sign to me that the Bundesbank is digging in its heels, perhaps avoiding an assault on the Franc by drawing a line at the Danish krone," said Mr Gerard Lyons, chief economist at DKB International in London.

Mr Neil MacKinnon, an economist at Citibank in London, said that the Bundesbank would probably fail in its task.

"The Bundesbank has bought time but it has not solved the fundamental problem that France and Denmark have high interest rates in the thick of a recession," he said.

"As far as I am concerned, the ERM is history," he added.

He predicted that there would soon be free floating currencies in Europe, for a limited period at least.

The markets will have a chance to asses how quickly the German authorities are prepared to reduce rates at this week's money market tender on Wednesday. Last week, the lowest accepted money market bid was 8.57 per cent. With the Discount floor lowered last week, there is speculation that the repo rate will come down.

Another factor adding to ERM tensions is that the dollar failed to break above DM1.67 against the D-Mark following a non-farm payroll figure on Friday that was worse than the market expected.

This week's January retail sales figures in the US, due out on Thursday, should indicate whether there is any more scale to the economic upturn in the US.

But a concern for European policy-makers must be that, if the D-Mark remains strong against the US dollar, the tensions in Europe will persist.

£ IN NEW YORK

Feb.5	Close	Previous Close
£ Spot	1.4440-1.4450	1.4410 1.4420
1 month	0.37-0.35pm	0.37 0.35pm
3 months	1.03-1.00pm	1.03 1.00pm
12 months	2.62-2.52pm	2.55 2.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.5	Previous
8.30 am	77.7	76.8
9.00 am	77.7	76.9
10.00 am	77.7	77.5
11.00 am	77.6	77.3
Noon	77.6	77.2
1.00 pm	77.7	77.2
2.00 pm	77.6	77.3
3.00 pm	77.8	77.5
4.00 pm	77.7	77.5

CURRENCY MOVEMENTS

Feb 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.7	-32.10
U S Dollar	67.2	-10.1
Canadian Dollar	96.4	-6.27
Austrian Schilling	114.9	+16.64
Belgian Franc	115.7	+1.60
Danish Krone	118.8	+12.00
D-Mark	125.2	+31.76
Swiss Franc	109.6	+17.56
Dutch Guilder	119.4	+20.19
French Franc	109.9	-6.71
Lira	82.4	-33.38
Yen	154.4	+89.94
Peseta	99.6	-24.25

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.4

OTHER CURRENCIES

Feb 5	£	$
Argentina	1.4480 - 1.4495	0.9980 - 0.9990
Australia	2.1540 - 2.1560	1.4835 - 1.4845
Brazil	24058.3 - 24058.6	16580.5 - 16580.7
Finland	8.1980 - 8.2795	5.6700 - 5.7000
Greece	318.850 - 325.250	219.840 - 224.250
Hong Kong	11.2175 - 11.2335	7.7330 - 7.7340
Iran	2200.00*	1485.00*
Korea(Sth)	1137.40 - 1155.75	793.40 - 799.60
Kuwait	0.44850 - 0.44950	0.39025 - 0.39075
Luxembourg	49.25 - 49.35	34.05 - 34.15
Malaysia	3.8090 - 3.8200	2.6275 - 2.6295
Mexico	4.4950 - 4.4980	3.0980 - 3.1000
N.Zealand	2.8285 - 2.8330	1.9495 - 1.9525
Saudi Ar	5.4370 - 5.4500	3.7495 - 3.7505
Singapore	2.3900 - 2.3970	1.6505 - 1.6515
S.Af (Cm)	4.5165 - 4.5285	3.1180 - 3.1200
S.Af (Fn)	6.6870 - 6.7805	4.6085 - 4.6730
Taiwan	37.20 - 37.35	25.65 - 25.75
U.A.E.	5.3165 - 5.3305	3.6715 - 3.6735

*Floating rate. Iran Official rate:£98.50 $66.30

CURRENCY RATES

Feb 5	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.945742	0.812380
U S Dollar	3.00	1.36253	1.17430
Canadian $	6.63	1.72074	1.47902
Austrian Sch	8.25	15.7767	13.7299
Belgian Franc	7.75	46.4282	40.2284
Danish Krone	11.50	8.72632	7.45619
D-Mark	8.00	2.24518	1.95156
Dutch Guilder	7.75	2.54615	2.19605
French Franc	10	7.64924	6.59425
Italian Lira	11.50	2098.54	1799.28
Japanese Yen	2.50	169.771	146.376
Norway Krone	-	9.53635	8.24942
Spanish Peseta	-	160.656	138.485
Swedish Krona	11.50	N/A	8.77011
Swiss Franc	5.50	2.08045	1.80019
Greek Drach	19	N/A	260.764
Irish Punt	-	N/A	0.802882

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb.4

POUND SPOT - FORWARD AGAINST THE POUND

Feb 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4410 - 1.4555	1.4465 - 1.4475	0.37-0.35cpm	2.99	1.03-1.00pm	2.81
Canada	1.8160 - 1.8350	1.8230 - 1.8240	0.07pm-0.01cdis	0.20	par-0.17dis	-0.19
Netherlands	2.6870 - 2.7070	2.6875 - 2.6975	¾-¼cdis	-1.95	1¼-1⅜dis	-1.86
Belgium	49.15 - 49.60	49.25 - 49.35	7-12cdis	-2.31	29-35dis	-2.60
Denmark	9.1200 - 9.2250	9.1325 - 9.1375	6¾-8¼oredis	-9.52	15¼-15¾dis	-6.73
Ireland	0.9810 - 0.9870	0.9810 - 0.9820	0.45-0.69pdis	-6.97	1.50-1.90dis	-6.93
Germany	2.3865 - 2.4080	2.3925 - 2.3975	⅜-½pfdis	-2.19	1¼-1⅜dis	-2.09
Portugal	215.00 - 217.70	215.00 - 216.00	117-128cdis	-6.82	385-411dis	-7.39
Spain	168.75 - 170.60	169.85 - 170.15	94-102cdis	-6.92	306-318dis	-7.34
Italy	2204.40 - 2225.90	2209.50 - 2210.50	7-10liredis	-4.62	26-30dis	-5.07
Norway	10.0720 - 10.1850	10.1250 - 10.1350	1¼-3¼oredis	-3.04	7½-9⅜dis	-3.43
France	8.0665 - 8.1345	8.0900 - 8.1000	3-3¾cdis	-4.91	10⅝-11¼dis	-5.37
Sweden	10.7150 - 10.8650	10.7450 - 10.7550	1⅞-4¼oredis	-3.49	8⅝-11¼dis	-3.7
Japan	179.25 - 180.90	179.50 - 180.50	½-¼ypm	2.92	1⅜-1¼pm	2.78
Austria	16.76 - 16.94	16.76 - 16.79	1⅝-2⅝grodis	-1.56	6¼-7⅞dis	-1.67
Switzerland	2.2040 - 2.2200	2.2050 - 2.2150	¼-parpm	0.68	½-¼pm	0.68
Ecu	1.2240 - 1.2320	1.2250 - 1.2260	0.28-0.32cdis	-2.94	0.87-0.95dis	-2.97

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.70-1.65pm . 12 Month 2.60-2.50pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4410 - 1.4555	1.4465 - 1.4475	0.37-0.35cpm	2.99	1.03-1.00pm	2.81
Ireland†	1.4605 - 1.4710	1.4680 - 1.4690	0.45-0.69cdis	-4.66	1.50-1.90dis	-4.63
Canada	1.2585 - 1.2650	1.2605 - 1.2615	0.28-0.31cdis	-2.81	0.91-0.99dis	-3.01
Netherlands	1.8585 - 1.8735	1.8610 - 1.8620	0.73-0.76cdis	-4.80	2.18-2.24dis	-4.75
Belgium	33.95 - 34.25	34.05 - 34.15	14.00-16.00cdis	-5.28	43.00-47.00dis	-5.28
Denmark	6.3100 - 6.3810	6.3100 - 6.3150	7.75-8.75oredis	-15.68	19.00-20.00dis	-12.36
Germany	1.6450 - 1.6655	1.6540 - 1.6550	0.69-0.70pfdis	-5.04	2.00-2.03dis	-4.87
Portugal	149.40 - 150.30	149.40 - 149.50	119-124cdis	-9.76	375-390dis	-10.24
Spain	116.75 - 118.15	116.75 - 116.85	90-100cdis	-9.76	285-300dis	-10.02
Italy	1523.00 - 1540.00	1527.00 - 1527.50	9.00-9.80liredis	-7.39	28.80-29.80dis	-7.67
Norway	6.9560 - 7.0575	6.9975 - 7.0025	3.20-3.70oredis	-5.91	10.50-11.50dis	-6.29
France	5.5725 - 5.6255	5.5925 - 5.5975	3.50-3.80cdis	-7.83	11.10-11.60dis	-8.11
Sweden	7.3735 - 7.5265	7.4275 - 7.4325	3.90-4.50oredis	-6.78	11.75-12.75dis	-6.59
Japan	124.10 - 124.85	124.30 - 124.40	par-0.01ydis	-0.05	0.01-0.02dis	-0.05
Austria	11.6575 - 11.6900	11.6600 - 11.6650	4.15-4.35grodis	-4.37	12.90-14.00dis	-4.61
Switzerland	1.5160 - 1.5370	1.5260 - 1.5270	0.26-0.29cdis	-2.16	0.76-0.81dis	-2.06
Ecu†	1.1720 - 1.1815	1.1795 - 1.1805	0.58-0.56cpm	5.80	1.72-1.69pm	5.78

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Feb.5	£	$	DM	Yen	F Fr.	S Fr.	N FL.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.447	2.395	180.0	8.095	2.210	2.693	2210	1.824	49.30	170.0	1.226
$	0.691	1	1.655	124.4	5.594	1.527	1.861	1527	1.261	34.07	117.5	0.847
DM	0.418	0.604	1	75.16	3.380	0.923	1.124	922.8	0.762	20.58	70.98	0.512
YEN	5.556	8.039	13.31	1000.	44.97	12.28	14.96	12278	10.13	273.9	944.4	6.811
F Fr.	1.235	1.788	2.959	222.4	10.	2.730	3.327	2730	2.253	60.90	210.0	1.515
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	76.92	0.555
N Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	63.13	0.455
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	76.92	0.555
C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	93.20	0.672
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	344.8	2.487
Pta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.	0.721
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	138.7	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CHICAGO

LONDON RECENT ISSUES

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
53	Nil	26/3	10¼pm	6¼pm	ASDA	7pm	-½
60	Nil	12/3	15½pm	10pm	Barton	13½pm	+1
25	F.P.	1/3	18	12	Property Trust	18	
32	Nil	15/3	13pm	9½pm	Stakis	12pm	
480	Nil	21/5	98pm	58pm	Wessex Water	98pm	+6

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

BANK OF ENGLAND TREASURY BILL TENDER

	Feb.5	Jan.29		Feb.5	Jan.29
Bills on offer	£100m	£100m	Top accepted rate of discount	5.3346%	6.1569%
Total of applications	£492m	£560m	Average rate of discount	5.3246%	5.4349%
Total allocated	£100m	£100m	Average yield	5.3962%	5.5096%
Minimum accepted bid	£98.670	£98.465	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	33%	99%	Minimum accepted bid 182 days	£97.380	£97.320

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Feb.5	change	NEW YORK	Feb.5	change
Base rates	6	-1	Prime rates	6	Unch'd
7 day Interbank	6⅛	+1/16	Federal Funds	2⅞	-⅛
3-month Interbank	6 1/16	-⅛	3 Mth. Treasury Bills	2.97	+0.01
Treasury Bill Tender	5.3246	-0.1103	6 Mth. Treasury Bills	3.15	+0.02
Band 1 Bills	5⅞	Unch'd	3 Mth. CD	3.11	-0.01
Band 2 Bills	5⅞	Unch'd	FRANKFURT		
Band 3 Bills	-	Unch'd	Lombard	9.00	-0.5
Band 4 Bills	-	Unch'd	One mth. Interbank	8.475	-0.125
3 Mth. Treasury Bill	5½	-¼	Three month	8.275	-0.2
1 Mth. Bank Bills	5⅝	-⅛			

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Northern Bank Ltd	7
●Henry Ansbacher	6	Exeter Bank Limited	7	Nykredit Mortgage Bnk	6.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	6
Bank of Baroda	6	●Robert Fleming & Co	6	Roxburghe Bank Ltd	8
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs.	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Brit Bk of Mid East	6	●Hill Samuel	6	Unity Trust Bank Plc	6
●Brown Shipley	6	C. Hoare & Co	6	Western Trust	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
Citibank NA	6	Julian Hodge Bank	6	Yorkshire Bank	6
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk.	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 29	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2862.9	2865.9	2873.8	2834.4	2851.6	2807.2	2873.8	2281.0	2873.8	986.9
FT-SE Mid 250	3050.5	3042.8	3023.6	2995.3	2988.6	2954.8	3050.5	2157.8	3050.5	1379.4
FT-SE-A 350	1413.7	1414.1	1415.2	1397.1	1403.1	1382.5	1415.2	1103.1	1415.2	664.5
FT-A All-Share	1395.67	1396.04	1396.35	1378.96	1384.44	1364.33	1396.35	1068.13	1396.35	61.92
FT-SE Eurotrack 100	1129.52	1113.35	1097.03	1089.43	1088.01	1079.18	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1189.21	1183.60	1171.25	1155.59	1158.83	1148.15	1248.79	1010.09	1248.79	938.62
FT Ordinary	2218.6	2218.9	2225.7	2195.7	2207.5	2177.3	2225.7	1670.0	2225.7	49.4
FT Government Secs.	95.37	95.41	95.26	94.27	94.21	94.76	95.54	85.11	127.40	49.18
FT Fixed Interest	110.98	110.98	110.87	110.75	109.94	109.66	110.98	97.15	110.98	50.53
FT Gold Mines	79.0	78.3	81.1	79.9	76.3	74.7	160.6	60.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. "Compounded Annual Rate" Int Cr: Frequency at which interest is credited to the account.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 5 1993: US Dollar Index	% chg ($) since 31/12/92	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/92	Gross Div. Yield	THURSDAY FEBRUARY 4 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	121.24	-3.1	124.22	95.30	104.29	119.67	-1.1	4.06	121.22	124.38	95.44	104.21	118.68	153.68	108.18	142.55
Austria (18)	140.48	+0.2	143.93	110.42	120.84	120.98	+3.1	1.86	139.41	143.04	109.76	119.85	120.06	186.70	131.16	182.18
Belgium (42)	140.56	+5.5	144.02	110.48	120.90	118.20	+8.2	5.11	139.24	142.86	109.61	119.69	117.43	152.27	131.19	144.80
Canada (113)	116.78	+1.0	119.66	91.79	100.45	106.64	+0.2	3.10	116.19	119.21	91.47	99.88	106.30	142.12	111.36	136.86
Denmark (33)	205.90	+10.6	210.96	161.85	177.11	176.77	+11.3	1.54	206.38	213.80	164.06	179.13	180.11	273.94	181.70	270.06
Finland (23)	68.23	-2.0	69.91	53.63	58.69	81.40	+6.5	1.73	66.90	68.64	52.67	57.51	80.10	89.80	52.84	89.80
France (98)	150.57	+2.3	154.27	118.34	129.50	132.15	+3.6	3.40	147.00	150.83	115.73	126.36	128.84	168.75	136.93	154.70
Germany (62)	108.89	+4.7	111.56	85.60	93.66	93.66	+6.9	2.44	106.32	109.08	83.71	91.39	91.39	129.69	101.59	122.84
Hong Kong (55)	229.11	+3.4	234.75	180.09	197.09	227.48	+3.3	3.97	230.46	236.45	181.43	198.12	228.83	262.28	176.36	195.74
Ireland (16)	136.22	+0.3	139.57	107.07	117.17	130.70	+10.9	4.06	134.99	138.50	106.28	116.04	129.44	173.71	122.98	172.02
Italy (76)	81.29	+11.7	82.80	48.17	52.72	69.91	+15.8	2.97	60.03	61.59	47.28	51.60	68.69	80.86	47.47	80.86
Japan (472)	105.65	+0.6	108.24	83.04	90.89	83.04	+0.2	1.00	104.86	107.59	82.56	90.16	82.56	140.95	87.27	127.91
Malaysia (69)	269.17	+2.9	275.79	211.57	231.52	272.49	+3.5	2.45	267.56	274.52	210.64	230.00	271.07	282.42	212.49	237.40
Mexico (18)	1572.02	-4.6	1610.68	1235.66	1352.20	5326.43	-5.2	1.13	1525.58	1565.26	1201.09	1311.47	5172.43	1789.77	1185.84	1554.95
Netherland (25)	155.01	+2.4	158.82	121.84	133.34	131.70	+4.8	4.32	154.04	158.05	121.27	132.42	130.84	169.70	147.88	156.48
New Zealand (13)	43.11	+0.5	44.17	33.89	37.09	44.67	+0.8	4.90	42.62	43.73	33.56	36.64	43.95	48.52	37.39	45.46
Norway (22)	139.63	+1.4	143.06	109.75	120.11	132.66	+2.6	1.82	139.50	143.13	109.83	119.93	132.59	192.95	128.05	182.83
Singapore (38)	219.63	+2.9	225.03	172.64	188.92	167.10	+3.6	1.97	221.42	227.18	174.33	190.34	168.41	229.63	179.65	226.11
South Africa (60)	164.98	+11.4	169.03	129.67	141.90	167.34	+6.5	3.02	163.53	167.79	128.75	140.58	167.82	263.60	134.21	243.38
Spain (47)	129.54	+11.1	132.73	101.83	111.43	114.62	+13.3	5.29	127.90	131.23	100.70	109.95	114.05	161.72	107.10	160.47
Sweden (36)	156.23	-5.6	160.08	122.81	134.39	171.85	-0.9	2.39	152.32	156.28	119.92	130.95	168.56	200.28	149.69	187.86
Switzerland (56)	111.68	-1.2	114.43	87.79	96.08	105.69	+2.9	2.02	110.73	113.61	87.18	95.20	105.00	122.37	95.99	104.22
United Kingdom (226)	167.24	-3.0	171.35	131.44	143.84	171.35	+1.5	4.35	167.25	171.60	131.66	143.76	171.60	200.07	161.86	184.60
USA (522)	183.43	+3.0	187.95	144.19	157.79	183.43	+3.0	2.76	183.74	188.52	144.67	157.96	183.74	183.74	160.92	167.89
Europe (780)	136.97	+0.7	140.34	107.66	117.82	130.02	+4.1	3.63	135.60	139.12	106.76	116.57	128.88	156.88	131.31	150.58
Nordic (114)	146.62	-1.1	150.23	115.25	126.12	142.78	+2.7	2.08	144.65	148.41	113.89	124.35	141.66	188.52	141.24	188.52
Pacific Basin (715)	110.41	+0.6	113.12	86.79	94.97	88.73	+0.4	1.35	109.72	112.67	86.38	94.32	88.27	141.97	93.70	130.33
Euro-Pacific (1495)	121.15	+0.7	124.13	95.22	104.20	105.12	+2.1	2.40	120.19	123.31	94.61	103.31	104.41	145.21	113.80	138.72
North America (635)	179.31	+2.9	183.72	140.96	154.26	178.24	+2.9	2.77	179.56	184.23	141.39	154.39	178.50	179.56	158.70	165.91
Europe Ex. UK (554)	118.26	+3.4	121.17	92.97	101.74	107.23	+6.1	3.13	116.25	119.28	91.55	99.96	105.54	132.98	111.33	129.79
Pacific Ex. Japan (243)	157.15	+0.9	161.02	123.54	135.19	146.75	+1.8	3.63	157.41	161.50	123.95	135.33	146.59	175.31	146.06	154.26
World Ex. US (1686)	122.38	+0.8	125.39	96.20	105.27	107.13	+2.0	2.42	121.39	124.55	95.58	104.36	106.41	146.91	115.99	140.68
World Ex. UK (1982)	139.59	+2.3	143.02	109.73	120.08	126.58	+2.5	2.36	138.99	142.60	109.43	119.49	126.12	150.58	127.21	145.39
World Ex. So. Af. (2148)	141.95	+1.6	145.44	111.59	122.11	130.17	+2.4	2.56	141.41	145.08	111.34	121.57	129.76	153.05	130.04	148.20
World Ex. Japan (1736)	162.51	+2.1	166.51	127.75	139.81	158.30	+3.2	3.09	162.08	166.29	127.61	139.35	157.95	165.40	151.93	161.25
The World Index (2208)	142.00	+1.7	145.50	111.62	122.16	130.53	+2.4	2.56	141.45	145.13	111.37	121.61	130.12	153.70	130.66	148.80

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Continued on next page

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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	18⅞xd	4.9	60c	FeMyAuNv	12.1	1503
Allegheny & W	♥	501p	15.7	30c	–	–	–
Amdahl		545p	-1.1	10c	MrFeJeAu	31.1	–
Amer Cyanamid		36⅝	1.7	$1.66	MrJeSeDe	4.8	–
Amer Express		17⅞xd	15.8	$1.00	FeMyAuNv	28.9	1504
Amer T & T		37¼xd	5.7	$1.32	FeMyAuNv	28.12	1507
Ameritech		61	5.2	$3.88	FeMyAuNv	28.3	–
BankAmerica		36⅝xd	6.1	$1.40	MrJeSeDe	18.11	1744
Bankers NY		47⅝xd	7.9	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		37	6.5	$2.60	FeMyAuNv	4.7	–
BellSouth		37⅛	5.0	$2.76	FeMyAuNv	6.4	–
Bethlehem Steel	♥	13⅞xd	6.4	–	MrJeSeDe	6.2	1827
Bowater		1601pxd	19.9	$1.20	OcJaApJy	9.3	1884
CPC	h	31⅝xd	2.0	$1.20	JaApJyOc	29.12	2293
Cadiz Land Inc.	♥	115p	–	–	†	–	–
California Engy		1402p	3.4	–	–	–	–
Chase Manhattan		21⅞xd	8.5	$1.20	FeMyAuNv	28.1	2109
Chrysler		27⅜xd	3.8	60c	ApJyOcJa	10.12	2135
Citicorp		18½xd	7.6	–	–	23.10	2141
Colgate-Palm		41⅜xd	10.1	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1670p	11.2	60c	DeMrJeSe	31.5	–
Dana		33⅝xd	7.0	$1.60	MrJeSeDe	25.11	2306
Data General		822p	5.9	–	–	–	–
Decora Inds.	♥	146p	–	–	†	–	–
Dun & Brad		40⅝	4.1	$2.28	MrJeSeDe	13.2	–
Eaton		55⅝	6.6	$2.20	FeMyAuNv	2.2	2410
Echlin		18⅞xd	9.7	76c	JaApJyOc	29.12	3046
FPL		26⅝xd	7.9	$2.44	MrJeSeDe	25.8	–
Ford Motor		34½xd	11.7	$1.60	MrJeSeDe	26.1	2615
Gen Elect		59⅝xd	5.3	$2.52	JaApJyOc	2.12	2675
General Host	♥	766p	10.2	34c	†	13.12	–
Gillette		38¼xd	6.9	72c	MrJeSeDe	27.1	2695
Hasbro		20⅞	–	20c	FeApJyNv	1.8	–
Honeywell	h	23⅞	7.6	89c	MrJeSeDe	23.11	2919
Houston Inds		33½	8.1	$3.00	MrJeSeDe	10.11	–
IBM		36xd	4.1	$2.16	MrJeSeDe	8.2	2985
Ingersoll-Rand		24⅞xd	10.8	70c	MrJeSeDe	13.11	2979
Lockheed		42½	13.7	$2.12	MrJeSeDe	15.2	–
Lowe's	h	2042p	10.3	28c	JaApJyOc	11.7	–
Merrill Lynch		49¼xd	11.6	$1.28	FeMyAuNv	30.4	3351
Morgan (JP)		42⅞xd	7.5	$2.40	JaApJyOc	16.12	3418
Morris (Philip)		51¼xd	4.9	$1.72	JaApJyOc	18.12	5181
NYNEX		58	6.3	$4.64	FeMyAuNv	27.8	4740
Pall		14¼xd	5.6	32c	FeMyAuNv	24.1	–
Pennzoil		37⅞xd	6.9	$3.00	MrJeSeDe	24.11	3630
Quaker Oats		44⅝xd	4.5	$1.92	JyOcJaAp	16.12	3738
Rockwell		20⅝xd	10.2	92c	MrJeSeDe	18.11	3847
Rep NY		32⅞xd	4.2	$1.88	JaApJySe	10.12	3814
Sears, Roebuck		35½xd	9.7	$2.00	JaApJyOc	25.11	5191
Sthwestern Bell		49	3.2	$2.92	MyAuNvFe	4.7	–
Sun Co		20⅞xd	8.2	$1.80	MrJeSeDe	8.2	4135
Tenneco		31xd	15.2	$1.60	MrJeSeDe	20.11	–
Texaco		42⅝xd	5.9	$3.20	MrJeSeDe	3.2	4200
Time Warner	h	34⅞xd	12.4	28c	MrJeSeDe	28.11	4234
Unitab	♥	450p	–	–	†	–	–
URS Intl. 1c	♣	6½p	–	–	†	–	4364
US West		28	9.3	$2.12	FbMyAuNv	14.4	–
Verity		2016p	3.3	–	–	11.77	–
Waste Manage		25⅝xd	3.9	62c	ApJyOcJa	18.12	4439
Whirlpool		3349pxd	8.6	$1.10	MrJeSeDe	4.3	–
Woolworth	♥	20⅝	6.1	$1.12	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbot Energy	♥	2p	–	–	–	–	–
Amer Barrick		2100p	6.5	18½c	Jan Dec	–	–
Bk Montreal		24½	5.9	$2.24	FbMyAuNv	2.8	1029
Bk Nova Scot.		1277p	9.0	$1.04	JaApJeOc	30.8	1017
BC Gas	♥	794p	4.2	60c	FeMyAuNv	30.12	–
BCE		24¼	5.3	$2.64	ApJyOcJa	12.6	–
Brascan	♥	591p	-6.2	$1.00	JaApJyOc	28.10	–
Breakwater	♥	13p	13.0	10c	–	–	–
Can Imp Bk		1353p	6.5	$1.32	JaApAuNv	29.6	1037
Can Pacific		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

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ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

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MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Greenwich Res. □	5¾	—	—	—	—	—	—	2779
Hemlo Gold C$	5⅝	3.1	Q28c	—	Dec	Jun	8.11	—
Iwanda West ℞ ‡‡□	41	24.2	—	—	—	—	—	—
Kalis Minls ℞ ‡‡	6	—	—	—	—	—	—	3741
Kenmare □	8	3.2	—	—	—	—	—	1463
Malinga Res.	22½	21.6	—	—	—	—	—	—
Navan Res ℞	25½	2.0	—	—	—	—	—	1156
5pc Ln Notes	27½	1.9	—	—	—	—	—	—
Oryx Gold	48¼	4.2	—		—		—	3698
Pataqua	39	—	—	—	—	—	—	3487
RTZ □	673	1.5	18.5	1.5	Dec	Jul	21.9	3969
Vizcaya	2¾	—	—	—	—	—	—	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

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FT Share Service

The following changes have been made to the FT Share Information Service: Additions: CIS Intl. (Business Services) and Foreign & Colonial PEP Inv. (Investment Trusts). Deletions: Ralston Inv and Temple Bar 6pc Cv 2002 (Inv Trusts), Siam Fond (Inv Companies), Clarke Hooper (Media), Pepe (Textiles) and Geevor (Mines).

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4 pm close February 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15⅞	10¼	AAR Corp x	0.48	4.0	22	138	12¼	11⅞	12	
28½	18	A L Labs A	0.18	0.7	163	238	26⅝	26⅛	26⅛	-¼
68¾	52⅝	AMP Inc x	1.60	2.7	21	3125	58⅞	57⅛	58¼	+1
80¼	54⅞	AMR			10	10987	65⅞	64	65⅛	+¾
2⅛	1⅛	ARX			12	51	1¾	1¾	1⅞	
53½	29⅞	ASA	2.00	6.0	22	326	33¾	33⅛	33½	-⅜
34¼	26	Abbott Lab	0.60	2.2	18	9167	27½	26⅞	27½	+⅛
13⅞	10⅞	Abitibi Pr	0.50	4.4	4	30	11½	11¼	11¼	-⅛
11⅝	10⅛	ACM Gvt In	0.96	8.5		466	11⅛	11¼	11¼	-⅛
10⅜	9	ACM GvOpp	0.80	8.5		376	9⅜	9⅜	9⅜	
9¾	8½	ACM Gvt Se x	0.80	8.6		329	9⅝	9¼	9¼	
11⅜	9⅝	ACM Gvt Sa x	0.96	8.8		139	11	10⅞	10⅞	-⅛
10⅝	8⅝	ACM Man	1.08	10.5		61	10¼	10⅛	10¼	+¼
12⅞	8⅝	ACM Managd	0.78	8.6		147	9¼	9⅛	9⅛	-⅛
11¾	4¾	Acme Cleve	0.40	4.5	16	184	8⅞	8¾	8⅞	
9¼	3¾	Acme Elect			175	171	9	8⅝	8¾	-¼
33¼	13½	Acuson			11	820	14¾	14½	14½	-⅛
21⅛	18⅛	Adams Expr	0.48	2.3	1	73	21	20⅞	20⅞	-⅛
49⅝	29½	Ad Micro	3.00	6.2		133	49	48⅝	48⅝	-⅜
21½	7½	Ad Micro P	3.00	15.3	7	8188	20⅜	19⅝	19⅝	-⅝
9⅛	4⅞	Advest Grp	0.16	2.5	13	162	6⅝	6⅜	6⅜	-⅛
45¼	33	Aegon ADR	1.35	3.0	8	10	45	44⅞	45	+⅜
53¾	38	Aetna Li' x	2.76	5.3	15	3523	53	52⅜	52⅜	-⅝
14½	8⅜	Ahl A	0.24	1.9	17	1074	12⅞	12½	12⅝	-¼
36½	24	Aflac	0.44	1.2	16	1324	36⅛	35½	35⅝	-⅜
22⅛	13	Ahmanson x	0.88	4.2	10	3297	21	20½	20⅝	+¼
22½	4	Aileen Inc			10	78	6¼	6¼	6¼	-⅛
49½	36½	Air Pr Chm	0.86	1.8	19	1911	48½	46¼	48	+1½
29¾	12½	Airbne Frt	0.30	1.3	188	1191	22⅞	22⅝	22⅝	-⅛
23	11¼	Airgas Inc			29	686	21½	20¼	21	-¼
12⅜	8⅛	Airlease	1.60	13.1	10	188	12¼	11⅝	12¼	+⅜
104	99	AlaPw8.16	8.16	8.0		z100	103½	103½	102⅝	

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NYSE COMPOSITE PRICES

Continued from previous page

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Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close February 5

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NASDAQ NATIONAL MARKET

4 pm close February 5

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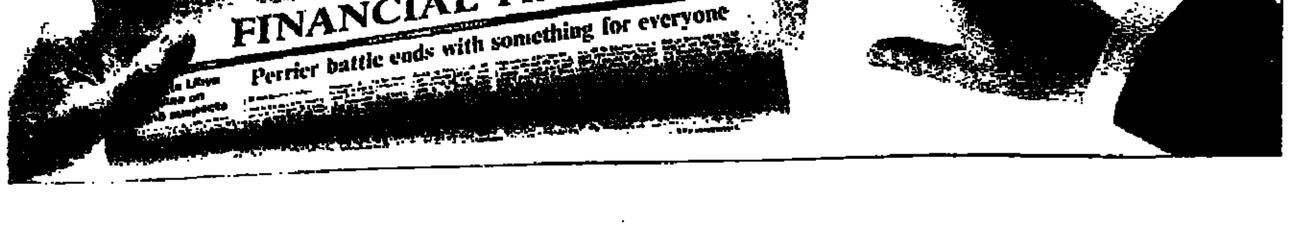


MONDAY INTERVIEW

A change foreign to her nature

Cornelia Schmalz-Jacobsen, head of Germany's foreigners' office, speaks to Judy Dempsey

Somewhere among the many thousands of names at the Yad Vashem memorial in Jerusalem, dedicated to both those who perished under, and who resisted, the Nazis, are the parents of Cornelia Schmalz-Jacobsen.

"My parents did not belong to any resistance group as such. They simply knew what was right. During the second world war, they kept their doors open all the time in Berlin, where we lived. I will never *forget* it," says Schmalz-Jacobsen, former general secretary of the Free Democratic party, and now head of Germany's awkwardly titled Federal Office for the Problems of Foreigners.

"So many people from so many different backgrounds visited us in Berlin during that time. It could have been dangerous. But my parents hid nothing from me. They believed that a house with an open door was a sign of freedom. My grandmother, a wonderful woman, who was Greek, thought the same. I suppose I took our open door for granted."

Now, more than 50 years later, Germany, which boasts the most liberal asylum laws in Europe, is undergoing a fundamental rethink about restricting the number of refugees who are flooding into the country following the collapse of the Berlin wall in 1989.

Last year alone, more than 470,000 would-be asylum seekers sought refuge in Germany. The influx of foreigners has fuelled calls from all sides of the political spectrum – from the far right to Chancellor Helmut Kohl's ruling Christian Democratic Union party – to reform the asylum laws by tightening up article 16 of the constitution, which allows everybody entering Germany the right to refuge.

The number of foreigners entering the country has rekindled a mood of xenophobia and provoked racist attacks. Despite belated attempts by the government to clamp down on extreme right-wing groups, the Federal Crime Bureau last week reported that in December alone, extremists had carried out more than 1,000 attacks, including one fire bomb, 50 acts of arson, and 95 violent assaults on individuals.

But what haunts intellectuals, and the opposition Social Democratic party, in the debate about amending the constitution is the memory of the past. They argue that had other countries given refuge to Jews fleeing Nazi Germany, many more could have been saved. Germany's open-door policy to refugees since 1949 has been largely a response to the Jewish experience during the war.

Yet Schmalz-Jacobsen believes that the emotional, and at times bitter, arguments over the constitution are a distraction from the real problems facing Germany: the absence of an immigration law. Because the country has no immigration policy, everybody is allowed to enter. But those who manage to remain in Germany do so overwhelmingly as foreigners – they have no easy access to citizenship. Making citizenship easier, particularly for the second generation of asylum-seekers, is Schmalz-Jacobsen's goal.

"The statistics speak for themselves," she says, speaking from her 14th-floor office in Bonn. "We have about 6.2m foreigners living in Germany. Of that number 1.5m, or about 25 per cent, are under the age of 18. Two-thirds of these 'children of foreigners' have been born here. Yet most of them do not have German passports. These are the second generation of Turkish immigrants, and those with other parents and grandparents who were actually invited here by the German government to help rebuild the country's shattered economy after the second world war.

"These children should be given the choice, as in France. There, children have the automatic right to French citizenship, and then are given the choice at the age of 18 to choose their nationality. In Germany, no such thing exists."

Schmalz-Jacobsen is just as critical of the difficulties facing those foreigners who marry German citizens, and those who, having lived in Germany for several years, are still deprived of easy access to a German passport. A foreigner married for two full years can apply for citizenship after another five. But a single foreigner has to wait 10 years before applying for citizenship, and another five years before he or she is fully naturalised. "Throughout this time, these people cannot vote, even though they pay taxes. They have no rights. This has got to change," she says.

There is 'enormous opposition to racism'

Schmaltz-Jacobsen explains how the German law on citizenship is bound up with the old imperial decree of 1913. Article 5.7 of the *Reichs-und Staatangehörigkeitsgesetz*, or Imperial and State Citizenship Law, states quite unambiguously: "Through birth, one can acquire [German] citizenship if the legitimate child has a German parent; and if an illegitimate child has a German mother . . ." She adds: "This means that the 6.2m foreigners in Germany have little chance of obtaining German citizenship."

PERSONAL FILE

1934 Born in Berlin.
1962 Worked as journalist in radio, television and newspapers.
1968 Joined Liberal Free Democratic party.
1972-85 Served as member of Munich's city council.
1985-89 Senator for youth and family affairs in Berlin.
1988-91 General secretary of the FDP.
1990 Elected member of the Bundestag.
1991 Named head of the federal department for the problems of foreigners.

How does this former journalist, and prominent FDP party member, explain the government's retention of a law in which the blood-line dictates citizenship? Schmalz-Jacobsen recalls an incident when she moved to Bavaria where, between 1972 to 1985, she was a senior member of Munich's city council.

"You tend to forget this but until 1967, there were still divisions between Catholic and Protestant classes in the schools. One of my sons came home at midday and asked me if I believed he had black spots on his soul. I immediately thought that he might be ill. Then I realised that the school was talking about the differences between the two religions. You are one or the other. Germany's citizenship law is a bit like that. You have German blood or you have not."

Resistance to amending the law – even by allowing dual citizenship, a move which Schmalz-Jacobsen is spearheading – comes from the Bavarian-based Christian Social Union, the sister party of the Christian Democratic Union, even though, ironically, Bavaria has one of the most liberal constitutions of all the German states. CSU officials fear easier access to citizenship would somehow dilute the German identity.

"This obsession with what makes up a real German is difficult to explain," says Schmalz-Jacobsen. "Take my case. Now that I have this job, I have become the subject of hatred. I get many hate letters. In the eyes of some people who hate foreigners, I am a foreigner too because I want to help them.

"I get threats as well." She holds up a sheaf of letters. "But then, I get lots of letters from Germans who want to support me in my attempts to change the law, and who want to integrate the foreigners living in our country."

Yet, however much there is a gradual consensus emerging, at least among the FDP and the Social Democratic party, Schmalz-Jacobsen wonders if the government is really committed to policies which foster integration and assimilation. "When I first took this job in 1991, there was much resistance to even talking about changing the law. It was 'No, no', all the time.

"The mood is changing. You just have to see the enormous groundswell of opposition to racism. But then, you look at the budget with which we have to work. I have a total annual budget of DM250,000 (£104,600); DM100,000 to do campaigning, press releases, and a small staff of 15, of which seven are part-time. Sometimes I think the government is killing a good idea with kindness." It wants the office to exist, she says, but it is chronically under-funded.

But then the indefatigable Schmalz-Jacobsen believes there are reasons to be optimistic. "It is always easier to go on living when you don't have to face up to something which exists. We have a problem here. Slowly, the younger generation of Germans are facing up to the need to assimilate and integrate foreigners. We can't give up now."

Greenspan eyes the Democrats

MICHAEL PROWSE
on
AMERICA

In his youth, Mr Alan Greenspan, the Federal Reserve chairman, was a disciple of Ayn Rand, the ultra right-wing American novelist and philosopher who stressed the moral, as opposed to economic, virtues of full-blown capitalism.

According to Time magazine, in an article for Rand's journal the Objectivist, Mr Greenspan once argued that the welfare state was "nothing more than a mechanism by which governments confiscate the wealth of the productive members of society". This was probably just youthful indiscretion but Mr Greenspan is now having to adapt to an intellectual climate far removed from Rand's social Darwinism.

This is not proving all that difficult. Mr Greenspan has always drawn a sharp distinction between his private views and his duties as a public servant. Although appointed to the Fed in 1987 by President Ronald Reagan, he has never been publicly associated with radical conservatism. Having served in the mid-1970s as chairman of Gerald Ford's Council of Economic Advisers, he is seen as a moderate Republican. At the Fed he has built a reputation for non-partisan professionalism; only the odd hint of his personal philosophy emerges, as, for example, in his opposition to any form of capital gains tax.

President Bill Clinton and Mr Greenspan are circling each other warily. Mr Clinton has stressed his support for the Fed's independence; Mr Greenspan has promised to co-operate with the White House and has publicly praised the president's deficit-cutting plan. However, as one of the few remaining conservatives with real power, Mr Greenspan has become a target for congressional Democrats. In recent hearings, he was denounced for failing to cut interest rates quickly enough during the recession and for refusing to pledge further easing of monetary policy in response to fresh efforts to curb the deficit.

At times, as senators adopted the sarcastic tone of prosecuting attorneys, the hearings took on an almost surreal aspect. Oblivious to encouraging data (such as growth at an annual rate of 3.8 per cent in the fourth quarter), Mr Paul Sarbanes of Maryland acted as if the Fed chief were on trial for crimes against the state. When Mr Greenspan had the temerity to defend his record, the prosecutor reeled off the names of eminent economists – such as Nobel prize-winners Milton Friedman, James Tobin and Paul Samuelson – who had publicly criticised him for doing "too little too late".

The attack on Mr Greenspan's economic competence was wholly unjustified. With hindsight he has navigated treacherous economic seas with great skill. He courageously raised interest rates in the late 1980s, thereby setting in motion disinflationary forces. But he was sensitive to the risk of a 1930s-style financial meltdown and subsequently brought rates down faster than conventional wisdom abroad (although not at home) thought desirable, thus laying the ground for a quite vigorous recovery.

Of course, Mr Greenspan's curriculum vitae does not compare with those of armchair theorists such as Friedman, Tobin and Samuelson. He has published little and was finally awarded a PhD by New York University only in 1977 – after he had served three years as chief economist under President Ford. Indeed, by the silly standards applied to Mr Clinton's appointees, Mr Greenspan was not qualified to be CEA chairman. Instead of seeking a university chair, young Mr Greenspan founded his own Wall Street consultancy and spent decades analysing the minutia of business cycles, in the process gaining more practical wisdom than half a dozen professors.

Having handled the recession adroitly, he now faces even tougher challenges. With inflationary pressures still low and the economy only just beginning to gather momentum, monetary policy is currently tight enough. But if Mr Greenspan wants to be remembered as the first Fed chairman for a generation to secure something approaching price stability, he may need to raise short-term interest rates substantially in coming years, certainly by 1995. The scene is thus set for a bitter tussle of power with the Clinton administration, which is unlikely to be enthusiastic about a sharp tightening of monetary policy ahead of the next election.

Yet there is a more insidious threat. Since the US has never suffered a hyperinflation, there is little popular support for Fed independence. Some of Democrats are pressing for legislation that would increase Congress's leverage over monetary policy. Democrats have long been unhappy about the role played by the presidents of the Fed's regional branches. Often monetarist by inclination, the regional presidents have five of the 12 votes on the Federal Open Market Committee (the body that determines the level of short-term interest rates). Yet, unlike Washington-based Fed governors, they are not selected by the White House or subject to congressional confirmation.

Mr Clinton may mean what he says about Fed independence. But if the electoral cycle proves more important, Mr Greenspan and his board (all Reagan/Bush appointees) will face a painful dilemma. If the Fed resists pressure for expansionary monetary policies, it may end up subject to greater political control; if it does not, it risks higher inflation. It is not an inspiring outlook for a man who prefers crunching data to playing political poker.

Life in the slow lane

IAN DAVIDSON
on
EUROPE

Last week's cut in German interest rates could turn out to be a lot more significant than it looked, and in more ways than one. It is likely to lead, sooner or later, to an intense debate on ways of strengthening the European Community's exchange rate mechanism. This in turn will trigger a broader debate over what is needed generally to strengthen the Maastricht treaty. And this will set the stage for an agonising reappraisal in Britain over whether it really wants to be in or out.

The question is, what is the significance of the German interest rate cut? A week ago, Mr Helmut Schlesinger, the Bundesbank president, was manifestly opposed to any move. He publicly repudiated criticisms of his tight interest rate policy, which he dismissed as coming from "ignoramuses". To cut interest rates three days later suggests a striking change of course, if not of heart.

Now there is nothing in the Maastricht treaty which requires a virtually fixed currency grid well in advance of phase two next year. But the political credibility of the system depends on the continued cohesion of the central currencies in the system, starting with the French franc. In effect, the ERM in its current configuration has come to be taken as a test of the viability of monetary union; if the ERM is blown apart by the speculators, the world will refuse to believe in the feasibility of Emu.

Moreover, the feasibility of monetary union is now turning into a test of the credibility of the general political objectives of the Maastricht treaty. A forced devaluation of the franc would represent a massive political blow, both for the Franco-German relationship and for the general objectives of European integration.

No one imagines that the Bundesbank wants to improve the plausibility of the Emu programme; quite the reverse. But Mr Schlesinger does not have the power to revoke the treaty of Maastricht, let alone to write off the political capital invested, at least by the original member states, in the general objectives of European integration.

Even if the Bundesbank has reluctantly accepted that it must do a tiny bit more to underwrite the survival of the exchange rate mechanism, it cannot guarantee unlimited support for the franc. On the other hand, the Bonn government cannot contemplate the bald collapse of the system. Only two politically acceptable options remain: if the speculators do not go away, either the system must be strengthened so it is less vulnerable, or it must be replaced by something else with equal political significance.

The French are already gearing up for a strengthening of the system; a senior French official said last week the issues were now being discussed in private, though there would be no overt initiatives until after the ratification of Maastricht by Denmark and Britain.

Yet the general shape of French thinking is set out in a book* just published by the planning ministry. The core countries, starting with France and Germany, would speed their progress towards monetary union, through intergovernmental agreements, and would irrevocably fix their parities next January or soon after. The Germans would have to "internationalise" their monetary policy, and co-ordinate it with their partners; the French would make the Bank of France independent.

Such a programme raises a raft of questions, both technical and political. For example, how would the Germans "internationalise" their monetary policy?

But the bottom line is that France and Germany have too much at stake to accept a straight defeat at the hands of the speculators. If the Emu programme cannot be salvaged in its present form, something of equivalent political weight, in this or some other field, must be devised to keep up the European impetus.

This broader debate, which cannot be eluded, will be deeply embarrassing for Britain. The government has already said the pound will not rejoin the ERM this year; it has indicated that the Bank of England will not be independent; so it faces the prospect of being left in the slow lane of a two-speed monetary Europe.

Some will argue that Britain is better off in the slow lane. It has broken the chains of the ERM, it has cut interest rates, and can go for growth.

There is a political price, however. The other member states used to wink at Britain's opt-out from Emu, believing Britain could never in practice afford to stay out. Now they see the UK pursuing a policy of competitive devaluation on a grand scale, in direct conflict with the spirit of the Emu programme.

Moreover, some people in France now virtually accuse the UK (and the Americans) of deliberately stimulating currency speculation, in order to bust the ERM.

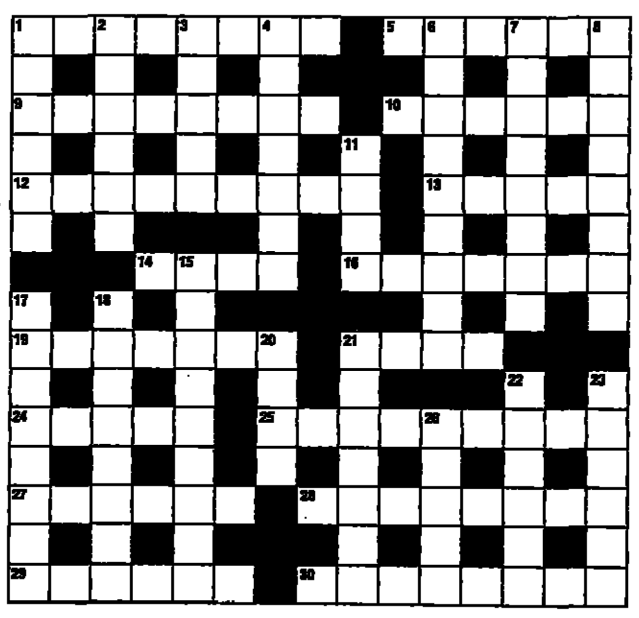
This may not be rational. But French insistence on the soundness of the franc is not helped by an approximate 17 per cent effective sterling devaluation. Even Chancellor Helmut Kohl alluded last week to "those who provoke disturbances so as to torpedo the process of monetary union".

Once Maastricht is ratified, the treaty will be the subject of a new round of debate and reappraisal, which is likely to be just as intense and probably more serious than last year's. But the subject will be the negotiation of a two-speed Europe, and this time the others will not be sorry to see Britain stay in the slow lane.

* *L'économie française en perspective. Commissariat Général du Plan; Documentation française, 29 quai Voltaire, 75007 Paris. FFr167*

CROSSWORD

No.8,071 Set by PROTEUS



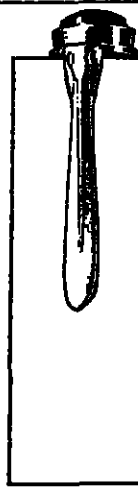
ACROSS

1 Girl broadcaster once? (8)
5 Tap soldier put back in place (6)
9 Soldier writing to and getting official answer from pope (8)
10 Hole in box on one side (6)
12 Not long to hang on (3,6)
13 Girl needing some of their energy (5)
14 Ends by turning roasting mechanism (4)
16 Gift used to make introduction (7)
19 Back on the bottle perhaps (7)
21 Some extra-terrestrial estimate (4)
24 Tree as pillar of the church (5)
25 Calm when picked up (9)
27 Article on manuscript containing English topics (6)
28 Hand over duties of French papal ambassador (8)
29 Take away obstruction in river (6)
30 See a sign put out by one entrusted with property (8)

DOWN

1 Vehicle with no reversing box (6)
2 List showing cock's lost love (6)
3 Musical instruction to novice on ship (5)
4 Tools designed for young children? (7)
6 Apt to be cheeky if I'm in front (9)
7 Dearth for example it may be inferred (8)
8 What tennents pay for hill-sites with raging streams? (8)
11 Goes to pieces to some extent under arrest (4)
15 Tense and flawed (9)
17 Declared when desert is to be developed (8)
18 A lot to be said for profitable transaction (4,4)
20 Sway to the music (4)
21 Waves to the birds (7)
22 Stress caused good man by downfall (6)
23 Stick notice in this place (6)
26 Tree resin from oriental lime perhaps (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 20.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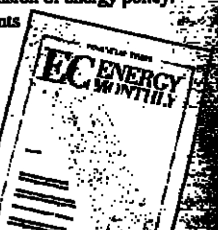

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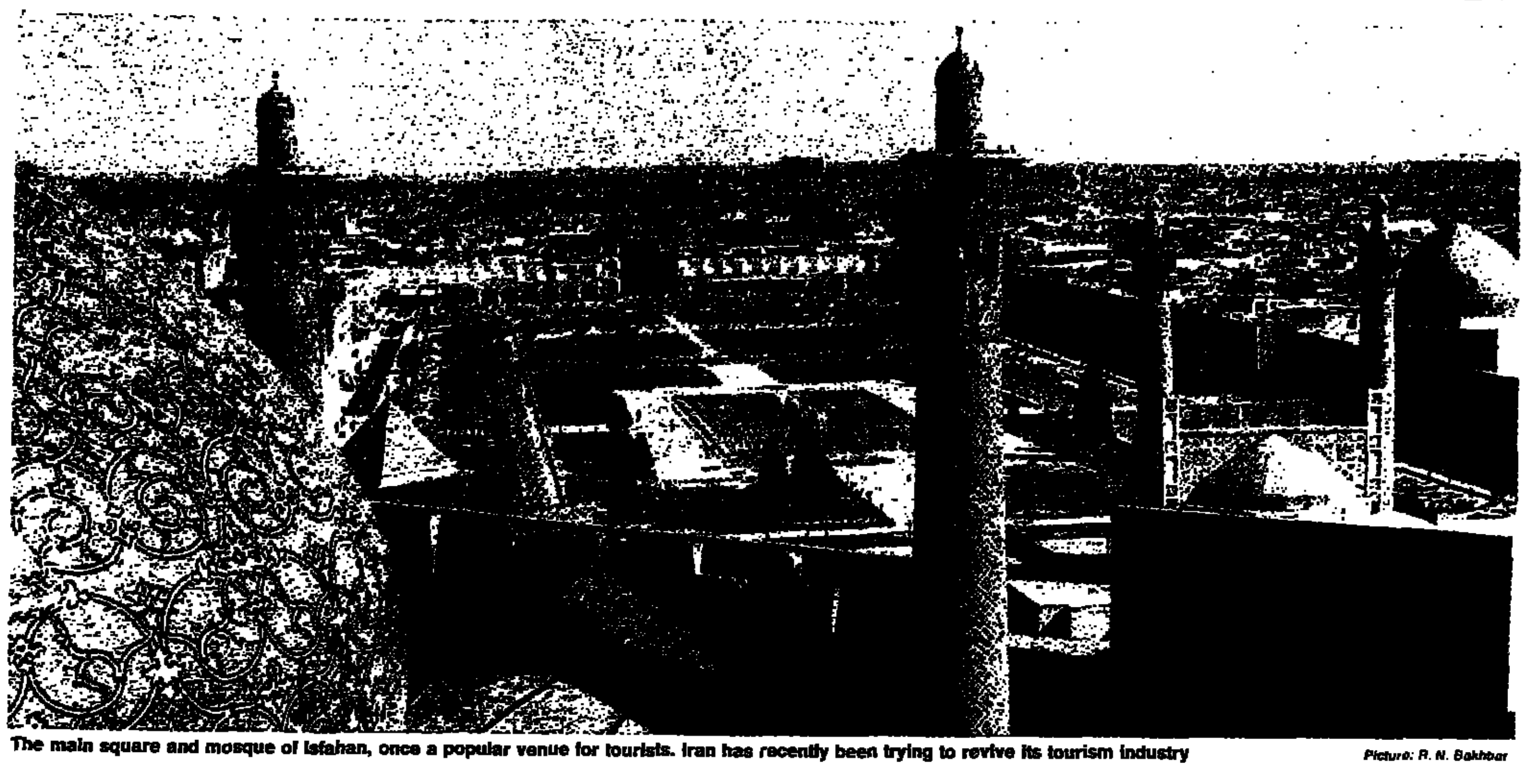
FINANCIAL TIMES SURVEY

IRAN

SECTION III

Monday February 8 1993



The main square and mosque of Isfahan, once a popular venue for tourists. Iran has recently been trying to revive its tourism industry *Picture: R. N. Bakhbar*

Keen to leave the cold

Iran is edging back towards the international mainstream. Whether it will be admitted is another matter. **Roger Matthews** reports

When an Iranian diplomat asks earnestly "What do you think my country can do to improve its international image?" it is obvious that something is afoot in the world's first Islamic republic.

For more than a decade Iran's clerical leaders have done their best to give the impression of caring not a jot what the rest of the world thinks of them. Some still do not. Others, however, have begun better to appreciate the demands of administering a state of 60m people, and understand that satisfying popular needs is one of the keys to retaining power.

There are plenty of straws in the wind. President Ali Akbar Hashemi Rafsanjani is receiving weekly lessons in economics. Privatisation, deregulation and liberalisation have entered the vocabularies of members of parliament.

Senior officials discuss western political philosophers, and mullahs are being been sent abroad for months at a time to live and study in western democracies.

If that gives the impression of a country wanting to come in from the diplomatic cold, into which it had cast itself, that is probably what is intended. But whether Iran will be admitted while carrying so much other ideological baggage and still festooned with labels hostile to the west is another matter.

The motivation for Iran's shift in attitude is almost exclusively economic. Back in the mid-1970s, Iranians used to talk portentously of their country becoming the world's fifth power. Fanciful perhaps, but it is a reminder of the huge potential that population, hydrocarbons, agriculture and geography give the country. Revolution and war may have set back Iran's development by 20 years or more, but the fundamentals remain strong. How effectively they can be exploited will depend in large measure on the political balance within the country and how the rest of the world reacts to it.

Iran is at the moment the embodiment of the only political idea that is gaining adherents in the Middle East. Islamic fundamentalism is being promoted as an alternative for peoples frustrated and oppressed by governments which offer them little hope, politically or economically. It is a source of pride to Iran's leaders that others seek to follow their example, and a boost to their own political legitimacy at home. Equally, it is a source of fear and suspicion elsewhere in the region and in the west.

The freeing of western hostages in Lebanon and Iran's stance during the Allies' war with Iraq improved its political standing in the west. The increasing numbers of businessmen travelling profitably to Tehran helped Iran to be seen again as an important regional economic centre. But the positive swing of the pendulum has already been checked and, if anything, it is again heading back in the opposite direction.

The history of the regime predisposes many people and governments to believe the worst of it. Its record on human rights, its willingness to accept huge casualties through frontal infantry assaults during the war with Iraq, and its readiness to encourage the overthrow of governments it does not like will not quickly be forgotten.

So when it appears to behave aggressively over the island of Abu Musa in the Gulf, purchases a submarine from Russia and expresses a desire to acquire nuclear technology, this can be translated all too easily into the picture of a nation bent on exporting its revolution, threatening its wealthy Arab neighbours and posing a long-term military challenge to the US.

One sure thing is that for the foreseeable future Iran will continue to provide ammunition for those who see the country in that light. The most virulent revolutionary rhetoric is available for those who wish to hear it and there is always a ready domestic audience for accusations of duplicity and subversion by Iran's enemies. The hardcore supporters of the revolution will be rallied more effectively by invoking anti-Americanism than by pragmatism and conciliation.

The skill of President Rafsanjani during the past three years has been to consolidate his own position domestically while edging the country back towards the international mainstream. How much further he can carry that process may well depend on his ability to extricate the government from the consequences of economic mismanagement during the past two years.

It was understandable that any improvement in oil prices would be used as an opportunity to relax imports and provide some of the consumer goods which had been absent for so long. But what could not be foreseen was that the import boom would gain such momentum and that precious hard currency earnings would be dissipated with such little supervision.

The import brakes have now been applied but not before the country has run up many billions of dollars in short-term debt and seriously damaged its reputation with foreign banks and the world's leading export credit guarantee agencies. Delays on letters of credit extend up to four months and involve \$2bn-\$3bn, with substantially more in the pipeline.

Oil revenues ensure that Iran will eventually meet its obligations, but all foreign creditors will be looking far more sceptically at becoming further involved in a country where political risk factors need to be offset by an exemplary record on financial obligations.

It also raises other basic questions about the competence of government in Iran which have implications for the rest of the Islamic world. The constitution was designed under the tutelage of Ayatollah Khomeini to ensure a number of parallel and overlapping areas of authority, all of which are subservient to the country's spiritual leader. His death confirmed the vacuum that such a system always seemed likely to create. Ayatollah Ali Sayed Khamenei was not Ayatollah Khomeini's first choice as his successor and will never enjoy the same religious and political authority.

This flaw at the very centre of constitutional power persists throughout the machinery of administration and is made worse by the widespread weakness in basic management skills. Incentives for capable people to enter government service are few, with low salaries and a time-consuming politicisation of departments. One of the consequences has been additional layers of bureaucracy and a growing requirement for extra payments to help oil the wheels of government.

Powerful individuals have shown ways of cutting through the layers of administration, but they are few. Mr Gholamhossain Karbaschi, the mayor of Tehran and close associate of President Rafsanjani, has made a notable impact on the appearance and administration of the capital. He has also raised revenue through controversial business taxes and admits to having acquired enemies. The system permits the emergence of such people, but few are willing to take the risk, or feel sufficiently confident of their patron.

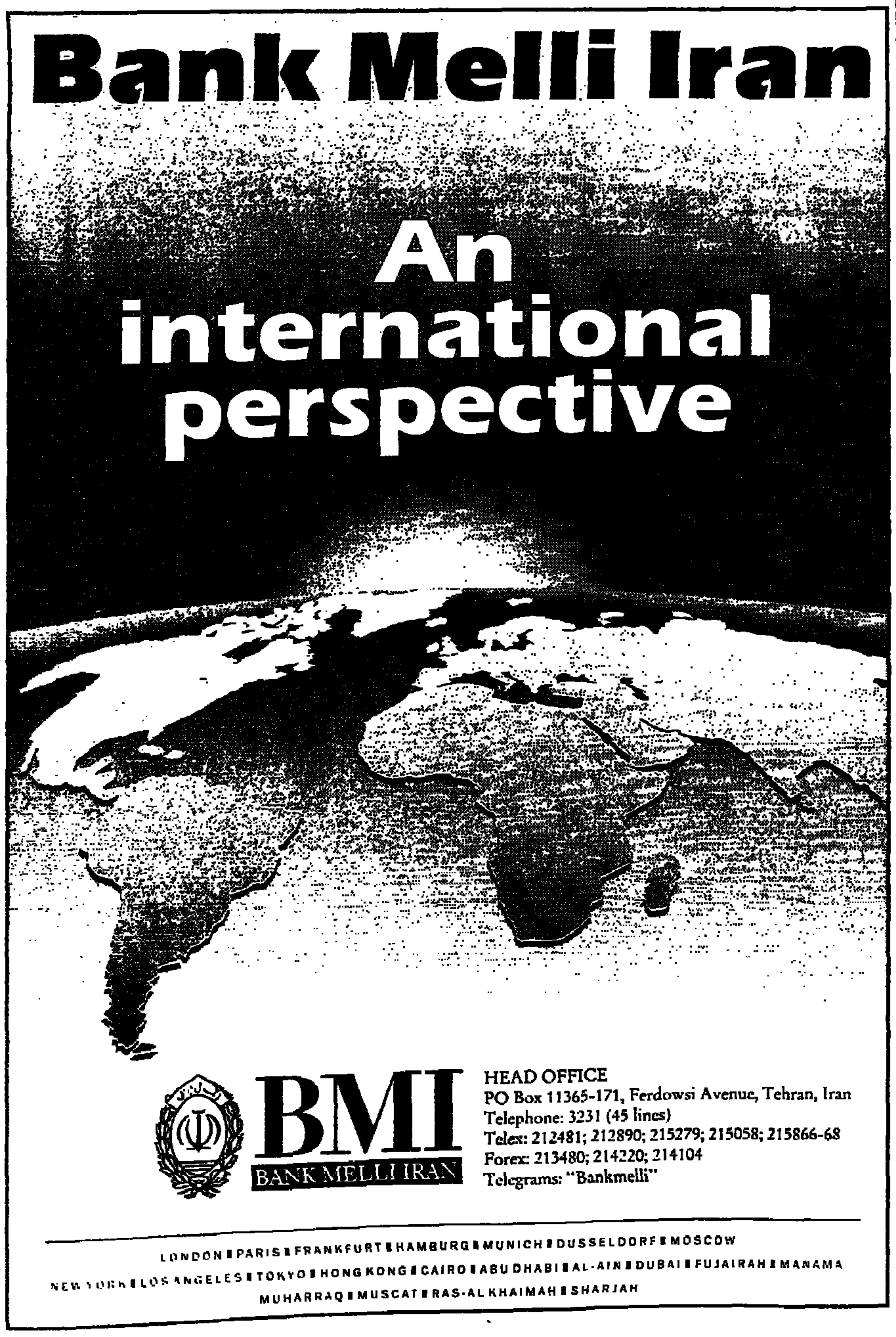
The danger for Iran is that the drive for economic modernisation initiated by President Rafsanjani will suffer further losses of momentum and eventually be broken on the inertia of the system, the incompetence of local management and the deep conservatism of the senior clergy. Also pushing it in that direction is the manner in which much of the industrialised world reacts to Iran. If, as expected, Islamic fundamentalism further establishes itself as the main perceived threat to western interests in the Middle East, Iran is bound to suffer the backlash, however ill or well-deserved.

Certainly, nothing will be made easy for the republic. The failure of Islamic government in Iran would be a blow to fundamentalist groups throughout the Middle East. But an Iran rebuffed and blocked in its efforts to make modest improvements in its international relations could make an even more uncomfortable neighbour. The clergy and their allies have demonstrated a political durability that many people doubted a few years ago. Setbacks in running a modern economy will only intensify the determination to protect the revolution, by whatever means.

IN THIS SURVEY

Iran is on schedule to achieve its target of 4.5m barrels a day sustainable oil production by the end of March. Page 8

■ Editorial production: Phil Sanders



■ FOREIGN POLICY

Suspicion on all sides

"SOMETIMES they appear with a deceitful smile, saying that they like Iran and wish to establish ties. They are telling lies. Past experience has shown that they are lying. They have a dagger hidden behind their backs and the other hand is ready to plunder. We know their true nature."

Ayatollah Khamenei, Iran's spiritual leader, articulated recently what is a widely-held view in Iran of western nations and their intentions. Not everyone would voice it so dramatically, but even among Iranians who have long association with the US and Europe there is an ingrained readiness to interpret western actions in the most conspiratorial way.

From Washington, elsewhere in the west and in parts of the Middle East there has been a scarcely less instinctive willingness to view Iranian intentions as subversive and destabilising. Mr Robert Gates, until recently director of the CIA, thinks it probable that Iran is trying to acquire a nuclear weapon, while the governments of Algeria and Sudan believe Tehran is funding and encouraging Islamic fundamentalists in their countries.

The depth of suspicion on all sides makes it difficult to achieve the progress in areas of mutual interest which President Rafsanjani and his aides say they wish to make. There is no doubt that Iran's political leadership has done its homework on the relationship between economic development and foreign policy. It understands how much it needs access to capital and technology if war damage is to be repaired, the economy modernised, and jobs found for the large numbers of young people coming onto the market every year.

But squaring that with the spiritual and political imperatives bequeathed by Ayatollah Khomeini will always prove difficult for the more pragmatic members of the Iranian establishment. Foreign policy in Iran is not made by a single person, group or organisation. Because of that it can be subject to domestic political rivalries, lack of management control and opportunism by radical factions.

The example of Abu Musa Island, close to the Strait of Hormuz, offers analysts plenty of scope. At a time when Iran was being conciliatory to the Gulf Arabs, its officials on Abu Musa – sovereignty of which is shared with the United Arab Emirates – threw out some teachers who it claimed were a threat to security. From there the situation deteriorated with the UAE taking the issue to the UN and Iran frightening its neighbours again with increasingly belligerent statements and claims of full sovereignty over the island.

It could be that the whole episode stemmed from an unauthorised action by Iranian officials on Abu Musa from which the government could not easily dissociate itself. It could equally be that Iran wanted to remind the Gulf Arabs of its presence. Tehran will not quickly forget that it was Saudi Arabia and Kuwait which funded Iraqi President Saddam Hussein during the Iran-Iraq war and indirectly provided the weapons used for the destruction of Iranian cities and villages. No word has been uttered by the Arabs about reparations, although the huge sums being spent by those two countries on new weapons is being noted.

Iran is also sensitive to the refusal of the Gulf Co-operation Council (Saudi Arabia, Oman, Kuwait, Bahrain, United Arab Emirates and Qatar) to involve it in any of the security arrangements for the region, such as the Damascus Declaration which would have given Egypt and Syria a role in the defence of the Gulf. Tehran continues to be unhappy with Saudi Arabia's oil production policy, believing that it is doing America's bidding by keeping oil prices relatively low.

Taken together it is unsurprising that the Iranian regime should feel that the US and its regional clients are attempting to exclude or marginalise its political and economic role. It is a policy that the Iranians are bound to resist and there are indications that an additional line of response has been to encourage where possible the rash of territorial disputes between GCC members in the past year.

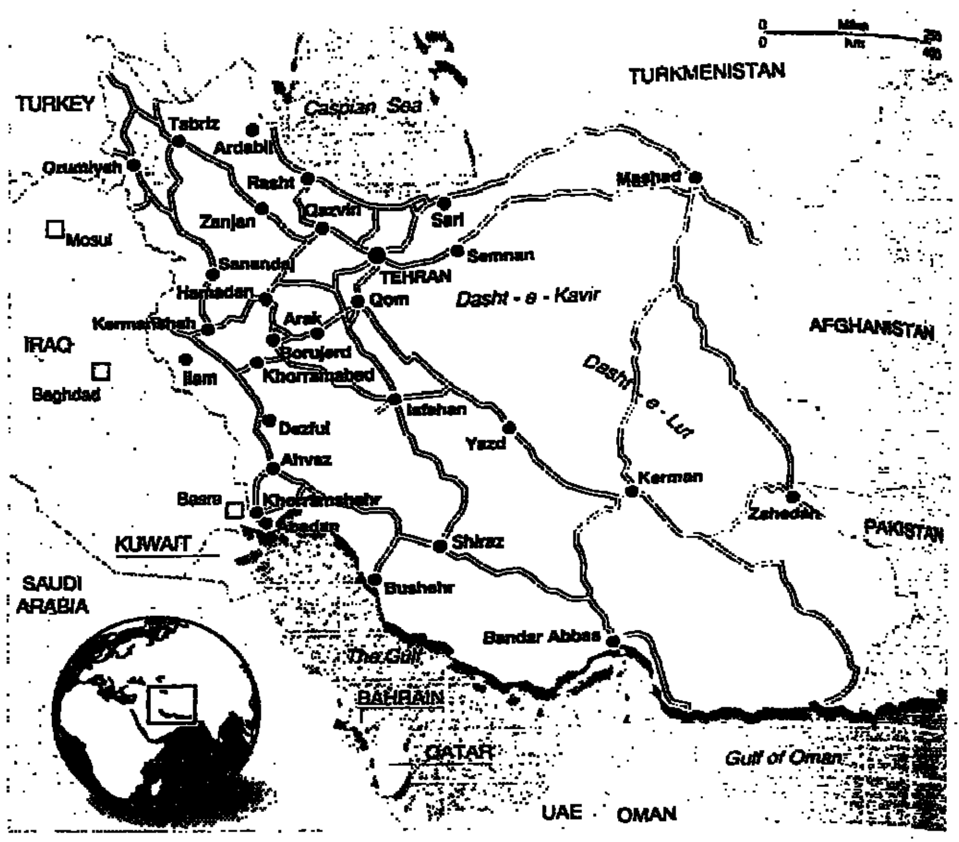
Iran should not be surprised that other countries feel threatened by it, however much Mr Rafsanjani's officials insist that it intends to export nothing more subversive than ideas. Islamic fundamentalism is gaining adherents in the Middle East and does pose the single most easily identifiable threat to several regimes. The question all these regimes seek to answer is how much the process is being aided by Tehran.

In Sudan and Lebanon there is a clear Iranian presence. The Iranians make no secret of their support for Hammas in the occupied territories and their total opposition to the US-sponsored Middle East peace process. They are privately very contemptuous of the Gulf monarchies and are trying hard to expand political and commercial ties with the central Asian republics.

Iran has bought weapons from China and made overtures to North Korea. Its list of activities may be in keeping with a wholly independent foreign policy, but not one likely to promote closer relations with western nations.

Seen from Tehran, that is not Iran's problem. If there is agreement on anything in Iran, it is that other countries must adjust to the reality of the Islamic revolution.

At the same time Iran will be acutely sensitive to anything which hints at paternalism, neo-colonialism or even criticism of its domestic affairs, especially if related to human rights. And it sees nothing contradictory in sentencing to death a British author accused of blasphemy.



The importance of the Iranian market at a time of world recession has encouraged western governments to adjust to these difficulties except, as in the case of Britain, when the issue of Salman Rushdie so angered public opinion that it was bound to drive a wedge between the two countries.

Lack of a firm reassurance by Iran about its current intentions towards Mr Rushdie will continue to hinder the chances of any improvement.

Such incidents seem likely to remain an unpredictable element in Iran's dealings with the rest of the world and will continue to jeopardise the prospects for more durable relations.

Roger Matthews

Playing the game

Mr Javad Larijani, special adviser to President Ali Hashemi Rafsanjani on foreign relations, talks to **Roger Matthews**

On the improvement of Iran's relations with the west during the Kuwait crisis and the subsequent deterioration:

I was not much impressed by the kind of overtures that came from the west when Iraq invaded Kuwait. Nor am I much disturbed by recent political unhappiness. It is better for us to stick to our principles and come to terms with our external environment rather than trying to calculate when the world is happy with us and when the world is not happy with us.

The relevance of Iran's "Neither east nor west" policy following the collapse of the Soviet Union:

It is still a relevant policy but maybe the way we express it should be changed. Its main purpose is to convey the idea that we decide in Tehran what our interests are and that we should not be expected to kneel down in front of foreign powers. It is part of our sense of national sovereignty. It does not mean we should be antagonistic towards anybody outside Iran. We are a member of the international community. In the international community you cannot do whatever you like, or whatever you think is right for your own interests. There is a sort of game which we should start to play, and we are playing it.

Whether US and British ambassadors might return to Tehran:

There is no big obstacle preventing better relations with the west, other than political attitudes. This is mainly the responsibility of our western partners. There is still a cultural barrier, a sense that someone can dictate to other parts of the world about how they should behave.

Economically, relations are beneficial for both sides. But politically the international situation is still not mature enough, especially with the type of disorder now affecting the world community. The laws of the new game are not well defined. We have a game in which the rules are changing and the players also are changing. So anyone can claim victory, even though they may not be winning. We should just stick to our principles and when the fruit is ripe then it could be picked from the tree. We should not rush.

Is foreign policy still guided by the desire to aid oppressed Moslems anywhere in the world?

This is a fabulous principle that anyone in the world should help the needy, the oppressed and the poor.

This does not mean we are going to topple the governments of other countries if we think that they do not behave according to our standards. It does not mean that we are going to interfere with their daily affairs. That is the way the west behaves towards us and to other countries.

In practice the basis of our decisions is our national interest. To rebuild the country we have a long way to go. We are determined to convert Iran into a prosperous and advanced country. We are putting all our efforts into that.

The ideas which guide our country are attracting followers in many Islamic countries. In Egypt, there is a movement which they branded fundamentalism. We like the word fundamentalism. It shows that people are concerned with the deep issues and fundamental truths.

This movement is like a renaissance. It is true that it started from Iran and the waves are spreading. It is disturbing a number of governments in Algeria, Tunisia and Egypt. But it is simplistic and naive for those governments to blame Iran because our ideas have followers. We are pleased that what we do is admired in the Islamic world but this is not something we can be blamed for.

The Islamic world is undergoing a deep change and our revolution played a major role in expediting this change. The more suppressed it is, the greater momentum it will have, and the more it will become radicalised. This is the source of suspicion about Iran. Politicians in America think it is like a commodity which we export to other countries. But this is not the reality. US paranoia about Iran stems from such very simplistic views.

Role of the armed forces:

We must calculate the threat and consider what would be a reasonable defence. We have been the victim of a notorious aggression after the revolution. The mastermind of this aggression is alive and is still in power in Baghdad. No reasonable person would be willing to be caught again by surprise.

On the southern flank of the Persian Gulf billions of dollars have been invested in armaments. We worry about this. Who is going to be the target for all this? Can the Kuwaitis by buying arms defend themselves again against Iraqi aggression? We doubt it.

We see ourselves as a country surrounded by turmoil and tension and potentially threatened by a neighbour with a proven appetite for aggression.

So we need a reliable defence facility. Unfortunately, from the point of view of the generals, our priority is the construction of the country. So we are working towards an army which is small but efficient. We think that the best thing that Iran can offer the Islamic world is its global ideas and this is already taking us into the hearts of millions of Moslems.

We do not need to send troops. Our troops are our ideas, and we are very proud that our ideas are getting through. People like us throughout the Islamic world; the intellectuals admire us, and we feel very happy about that. There is not a single politician in Iran contemplating expanding Iran's geography.

Iran's attitude to nuclear weapons:

We have no nuclear ambitions. It is neither feasible to invest huge amounts of capital in it, nor would it be effective in our defence. But I do think it is the right of Iran to have access to nuclear technology for totally civilian and peaceful uses. Like any other major area of science and technology, no-one should deprive us from acquiring that possibility. But we will not be pressing too hard because we do have alternative sources of energy.

The Middle East peace process:

Our opposition to the process is twofold. First, on its feasibility, and second on issues of principle and ideology.

The idea of this peace process is that it should begin to resolve the problems of Israel with its neighbouring countries, one by one. If that is done we are left with the helpless people of Palestine. What can they do? We think this is very unfair to them and that the resolution of their fate should precede any other discussion.

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■ THE ECONOMY

Damage limitation

After nearly a decade in the economic doldrums caused first by revolution and then war, Iran faced the massive task in the summer of 1988 of rebuilding its infrastructure, its cities and villages occupied or bombed by Iraq, and most critically its oil production and export facilities.

Unlike Iraq, the Iranian regime at least emerged from the conflict without the huge weight of debt which proved so difficult for President Saddam Hussein to tolerate and helped spur the invasion of Kuwait. Whatever else was said about Iran during the 1980s, its management of its external finances drew almost universal praise. Iran paid its debts promptly and was a sound risk.

Probably the biggest single error made by the government in the past four years has been to put that hard-won reputation at risk. Iran's reconstruction and economic development plans need access to western capital. There is, of course, a substantial amount that can be generated domestically, but with annual hard currency revenues unlikely to top \$16bn-\$17bn in the next few years, the demands for investment have to take their place in the queue along with other pressing priorities. In the oil and industrial sectors, along with the free trade zones, it has been hoped that a significant part of the investment would come from outside the country.

How much damage has been done to those prospects is not yet clear. But the alarm bells are ringing in all the leading export credit guarantee agencies of the industrialised world. What had been nervousness six months ago has now developed into deep concern and the strong possibility exists that one of the biggest agencies could soon remove cover for Iran.

Iran's problems grew from its attempt to undertake a multi-billion-dollar reconstruction programme using primarily short-term loans and its loss of control over letters of credit issued by the commercial banks. Added to this has been the opportunity to buy cut-price Russian weaponry for cash.

The situation might have been more manageable had oil revenues come up to expectations. Instead, the surge in prices that followed Iraq's invasion of Kuwait in 1990 was enough to tempt Iran into a more expansive spending programme, but not enough to sustain it.

Official figures need to be treated with some caution, but the trends are clear enough. At the end of the last financial year (March 31, 1991) Iran admitted to oil revenues of \$15.8bn and imports of nearly \$25bn. In fact, imports were probably \$2bn-\$3bn higher than stated and, even allowing for non-oil exports of \$2bn, this would still have left the country with a trade deficit of more than \$10bn.

The first hint that Iran was having difficulties meeting short-term obligations emerged about nine months ago – and seemed to have reached a plateau over the summer, but again gathered pace in November and December.

Officials from Bank Markazi, the central bank, travelled to Japan, Germany and other European countries at the end of the year in an attempt to reassure foreign banks and export credit agencies that the difficulty was primarily technical and would be resolved within a few months. In Tehran, close aides of President Rafsanjani admitted the problem, but not its size. They say an inquiry is underway into banking practices and accounting procedures.

What appears to have happened is that the central bank, having permitted the commercial banks to open letters of credit without official approval, did not have in place a mechanism for tracking the volumes and amounts which were then issued. At the same time, foreign currency allocations to ministries increased sharply.

The government claims greater success in handling the issue of exchange rates

The effects on Iran are visible. The country is in the middle of its biggest consumer boom since well before the revolution and so far there is no sign of it running out of steam.

Officials insist that 50 per cent fewer letters of credit have been issued in the current financial year and there will be a correspondingly large fall in the value of imports. Even if this is so, it will not resolve the more immediate issue over the swelling backlog of unpaid letters of credit. The government says that there is no more than \$1bn outstanding. Other western estimates put the figure at closer to \$3bn, and fear that there is a substantial sum still in the pipeline which could range between \$7bn and \$10bn, anywhere from a half to two-thirds of expected oil revenues.

Iran has hinted at some success in re-financing part of the outstanding amount and officials in Tehran want to believe that competition between countries for business will prevent the crisis from deepening. Much the same thinking lies behind Iran's refusal to accept growing western demands for sovereign guarantees for new loans. A large part of the outstanding short-term debt could probably be converted into much longer maturities if Iran would guarantee the amounts.

Similarly, the prospects for financing some of the country's most ambitious infrastructure and industrial projects would look much more feasible if investors were provided with that extra reassurance.

But awareness of the hostility of the parliament to sovereign borrowing – smacking as it does of foreign dependence – makes the government reluctant to introduce the issue. It is also probable that relatively few people in Tehran are fully aware of the amounts outstanding on short-term repayments.

The government claims greater success in handling the scarcely less sensitive issue of exchange rates. In his budget speech in December, Mr Rafsanjani pledged further moves to unify the exchange rate by removing an increasing number of items from the official rate of IR70 to the dollar.

Only essential items, such as basic foodstuffs and medicines, will remain at that IR70 rate, some items for industry will continue at IR600 to the dollar but almost everything else will be at the floating rate, currently about IR1,500 to the dollar.

Moving all items on to the floating rate would have a hugely inflationary impact, especially as at least 20 per cent of imports are believed to fall into the category of basic goods and medicines.

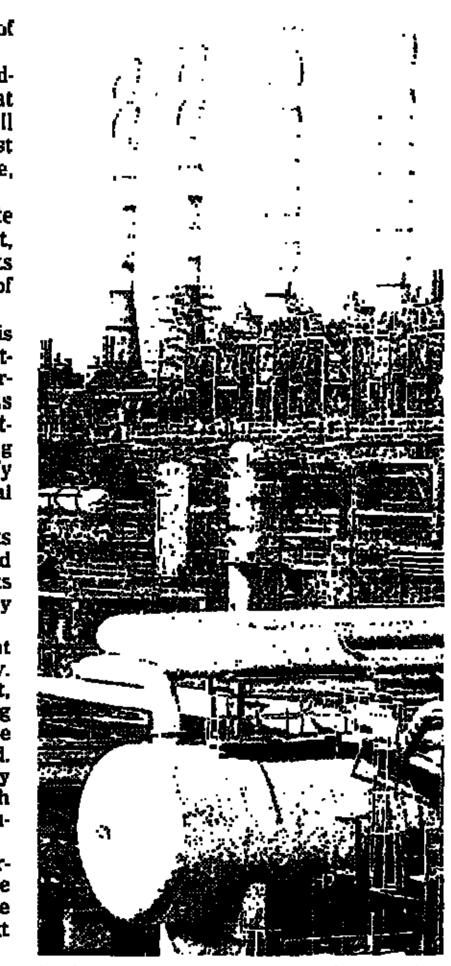
How far down this road Mr Rafsanjani is willing to venture will be primarily a political judgment. The government is preparing to increase subsidies massively as more basic items are moved onto the floating rate. It also claims to be holding enough dollars in reserve to satisfy demand and steady the rate when the rial is finally fully floated.

If the government intends to keep its pledge to the International Monetary Fund in order to qualify for balance of payments support it has to unify exchange rates by March next year.

Some officials at the central bank want the government to act more decisively. They believe a short, sharp adjustment, although painful, is preferable to a long drawn-out process during which the impact of the reforms will be dissipated. The Ministry of Finance and Economy clearly prefers the more cautious approach and so far seems to be winning the argument.

What impact the gravity of Iran's external payments situation will have on the government's room for manoeuvre will be the main focus of attention over the next six months.

Roger Matthews



Iran's plans for reconstruction and economic development need access to western capital

Recovery package

Mr Mohsen Nourbaksh, minister of economy and finance, talks to **Roger Matthews**

Overall economic strategy:
In 1989-90, at the beginning of our first five-year plan, we tried to deal with the lack of balance in the economy. The priorities in the package for economic recovery included adjusting prices, diminishing the role of government, encouraging the private sector and developing exports.

The private sector existed before the revolution and has its own role defined in our constitution. It is important to differentiate between east European countries and Iran. There has been a tendency to see the package of measures here as the same as those put forward by the IMF and World Bank for countries in eastern Europe. Our country is very different.

One of the main issues with which we are struggling is the unification of exchange rates. The big difference between the official and floating rates of exchange is one of the legacies we suffered from the war. We are trying to move very smoothly towards unification of rates. Most of the industrial sector, so far as the production side is concerned, is using the floating rate, as is the trade sector. Assuming that parliament approves the budget we will have taken a very major step towards unification.

We are generally pleased with the result of these policies so far as investment is concerned. Over the past two years the average growth in GDP has been more than 11 per cent, almost 3 per cent above what was predicted. Most of the growth has come from agriculture, industry and oil. We think the momentum will continue in the current year and we will have a GDP growth rate of about 8 per cent. Some \$24bn has been invested in different sectors over the past three years. We think that we will be able to continue on the same growth pattern in the future.

Unification of exchange rates:
Not all rates can be unified in the budget. There are some specific parts of the budget that will remain at the official rate. But in 1993 we will take the major step towards unifying exchange rates.

On the inflationary impact of unifying exchange rates:
We intend to use subsidies, especially for essential goods and medicines, so that the cost of living does not rise too much. Most other imports are already on the floating rate, so there should not be much impact on prices. Basic foods will continue to be imported at the official rate. About 20 per cent will remain at the official rate. In other words, about 80 per cent will have changed. The only items that will be subsidised are those few remaining at the official rate of exchange.

Use of subsidies:
There are no plans at this stage to make subsidies more selective. Right now we subsidise many items, for example refrigerators and televisions, by allowing them to be imported at the official rate of exchange. By going over to the floating rate we remove this type of subsidy.

Impact of current account deficit:
Unifying exchange rates will help to reduce the deficit. Our prediction is that next year we will definitely have a positive balance of payments. Total expenditure in foreign exchange will be less than our predicted income, assuming that the price of oil is maintained.

Imports for last year were running at \$26bn-\$27bn, but this financial year they are much lower, particularly because we have introduced the floating rate for the industrial sector. Since the beginning of this current year [March 21], when we introduced the floating exchange rate, consumption of foreign currency has fallen tremendously. Our estimate for the current year is that we will have a positive balance of payments.

Delays on payments of letters of credit:
Last year our imports were about \$26-\$27bn. That was because we introduced a floating exchange rate and allowed the commercial banks to operate it without any restriction. The same pattern continued this year. Because of that, and because previously we used to have a system of rationing foreign exchange, there has been some mismanagement. We did not intervene in the market because we thought that the pressure would diminish. That is what is happening now.

This year, the number of letters of credit that has been opened and the level of imports is likely to be 50 per cent lower than the previous year. There was some interruption in payment of letters of credit but we consider that as having a short-run effect. We are negotiating with the banks and we think we will manage the whole thing satisfactorily. The size of the backlog is about \$1bn. Very soon we are going to resolve the whole thing. I do not wish to give a specific time.

Position on sovereign guarantees
Commercial banks have their own business and have to issue their own guarantees. Those banks have to be acceptable to the international commercial banks. But if the government is going to receive a credit or facilities, such as those we are negotiating with the World Bank or with the Japanese for a yen loan, then this is government-to-government and we will definitely give a guarantee.

But we do not see any reason for the government to give a guarantee for, say, a small textile manufacturing project. Even if western credit agencies say that we have to provide a guarantee, we are definitely not going to do so. If they do not wish to do business with us, well we shall have to wait and see.

Recently we got a credit from a German bank using the same standard as we had before. We consider that as an indication that if we insist on this policy and stick to our principles then international companies will adjust. It is a matter of markets. We see enough competition between different companies in different countries, so why should we adjust? It is they who are competing. It is their duty to adjust their policy to what we need.

Privatisation:
It does not mean creating a private sector because that has always existed. What it means is that companies which for some reason are in the hands of government should transfer to the private sector. The main purpose is to increase the efficiency of those companies.

We have listed more than 300 which are supposed to transfer to the private sector. Some have been privatised but most are still in government hands. We are trying to speed up the process. I do not consider privatisation as a source of revenue but as a way of increasing efficiency. Ministers responsible for running those companies are allowed to use the proceeds from sales either for completing projects or to renovate the technology in those companies they administer.

Prospects for foreign investment:
It is accepted without any limitation. It depends only on the nature and the type. We offer the same protection to foreign investors as is available in other countries. I do not have the data with me to say whether we have received one penny of foreign investment or not, but we have received several applications.

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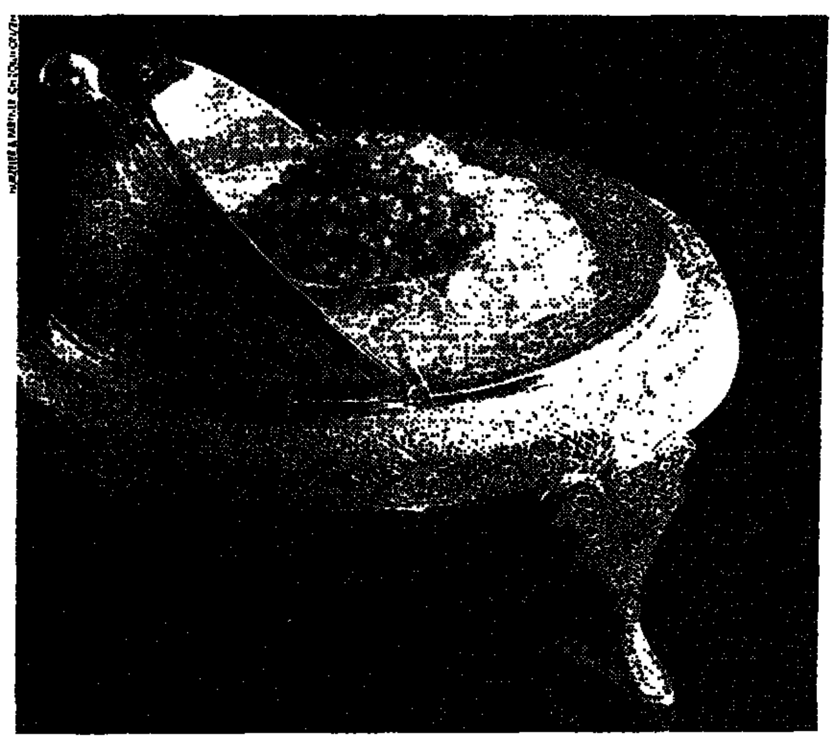

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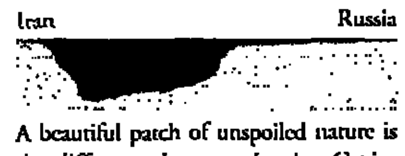

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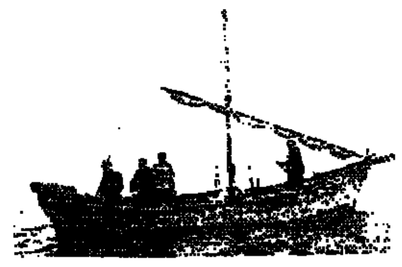

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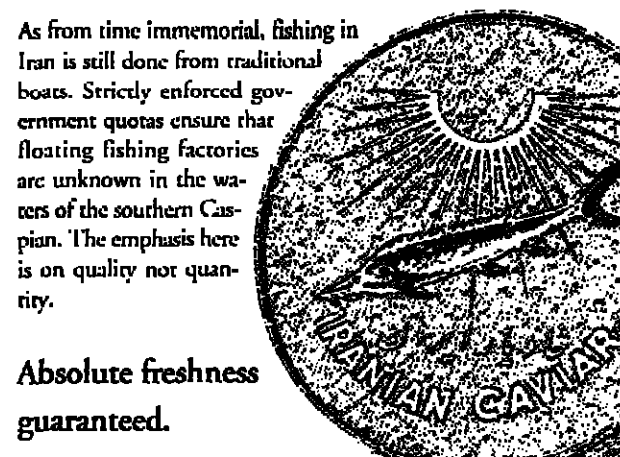

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■ DEFENCE

A sudden flurry of alarmist warnings

THE eight-year war between Iran and Iraq offered much satisfaction to strategic planners anxious to prevent either country achieving a clear military superiority in the region. Few tears were shed in western capitals, particularly Washington, when President Saddam Hussein sent his forces across the border into southern Iran in September 1980.

A conflict which absorbed and eventually came close to exhausting Iran's Islamic revolution was not to be discouraged.

When Saddam's troops were eventually thrown back across the border and Iraq became locked in a six-year defensive battle, the pro-Baghdad tilt in the west became more obvious.

Initially, at least, there was no confusion about the type of regime run by the Iraqi leader, or about the solely pragmatic need to keep Iraq out of Tehran's clutches. If, after the 1988 ceasefire, commercial greed got in the way of political perspective it was brought to a sudden halt by Saddam's decision to invade Kuwait.

The invasions of 1980 and 1990 rested on the mistaken assumption by Saddam Hussein that his forces were superior to anything likely to be sent against them. Neither adventure would have been attempted before the Iranian revolution when the late Shah Mohammed Reza Pahlavi's armed forces enabled Tehran to impose conditions on Baghdad – such as the 1975 Algiers agreement covering the Shatt al-Arab waterway.

The sudden flurry of alarmist warnings about the military ambitions of Iran indicate that for some people the pendulum may now have swung back too far in the direction of Tehran. Since being ejected from Kuwait in February 1991, Iraq has not posed a serious military threat to its neighbours.

The recent response by the western alliance to Iraq's challenges to the air exclusion zones underlines how greatly reduced Baghdad's military capacity has become. It can defy UN Security Council resolutions and threaten its own people, but the quantity and sophistication of allied equipment in Saudi Arabia, the Gulf and Kuwait offers considerable reassurance to Iraq's smaller neighbours.

Iran may once more be militarily stronger than Iraq, but both are considerably weaker than they have been. Tehran points out that it has never attacked anyone but has several times been the victim of aggression. It insists that it has no territorial ambitions, no intention to acquire nuclear weapons technology, and has a very limited arms-buying budget, especially when compared with that of Saudi Arabia and Kuwait. Officials say that rebuilding the economy has a higher priority than developing the armed forces.

The picture painted by some intelligence agencies of a more belligerent Iran, bent on military expansion, is difficult to square with the political mood

Some of its recent purchases have nonetheless caused public concern in the west, most particularly the arrival in Iran late last year of its first Russian-built Kilo-class submarine.

Privately, military analysts are far less worried and dismiss suggestions that one or more submarines will have much impact on the military balance in the region. "In effect it will be easy to track, probably poorly operated, and can be dealt with swiftly if ever there was a need", said a former naval officer with long experience of the region.

Iran has also taken advantage of Russia's need for hard currency by acquiring a number of Mig-29 aircraft and T-72 tanks. China has sold Scud missiles to Iran, together with F-7 jets which are modernised versions of the ageing Mig-21. But as Mr Akbar Torkan, minister of defence, makes clear, Iran's overwhelming need is spare parts for equipment bought from the US before 1979. Even given modest success in buying spares, Iran's military capacity will remain substantially below the levels attained 15 years ago.

Tehran also has to face a growing technological gap, not just in weaponry but in command and communications equipment. It was this deficiency which contributed to its inability to score a decisive breakthrough on the southern front during the war with Iraq.

Another weakness, probably still not rectified, is the command structure of the armed forces and the extent to which the regular army and the Revolutionary Guards Corps is capable of working harmoniously together. The regular army is unlikely ever to enjoy the same level of confidence among the country's senior clergy as that bestowed on the Revolutionary Guards Corps which is said still to be allowed the pick of new weapons.

The picture painted by some intelligence agencies of a more belligerent Iran, bent on military expansion, is also difficult to square with the political mood in the country.

The shocking casualty list caused by nine years of revolution and war has contributed to a weariness with conflict which will not easily be overcome. There is no doubt that the regime will fight vigorously to protect the revolution if challenged, but there is little evidence to suggest that there would be much popular backing for foreign conflicts. On the contrary, the regime is constantly demonstrating that it believes supplying the domestic market with consumer goods makes better political sense than re-arming on a large scale.

The US and its allies wish to avoid repeating the mistakes they made in assessing the intentions of President Saddam Hussein. But, by being so noisily suspicious of Iran, there is a danger of focusing excessively on the military threat when it is the battle of ideas which could more seriously damage western interests throughout the Middle East.

Roger Matthews

A parade to mark the anniversary of Iraq's invasion of Iran: The army has the responsibility for maintaining Iran's territorial integrity

■ INTERVIEW

Maintaining Iran's integrity

Mr Akbar Torkan, minister of defence, talks to **Roger Matthews** and discusses the role of the armed forces, conscription and weapons procurement

On the organisation of the armed forces:
The spiritual leader oversees all the armed forces including the army, the Revolutionary Guards Corps and the police. The army and the revolutionary guards each control their own forces.

The army has the responsibility for maintaining Iran's territorial integrity. The revolutionary guards corps has both a cultural and a military mission. Its main role is to safeguard the achievements of the Islamic revolution but it will, of course, assist the army if required. The revolutionary guards oversee the *baseej*, the volunteer force. The purpose of the *baseej* is to provide military training and organisation for all civilians so if there is a need to take up arms they will be ready to do so.

Strengths of the armed forces:
The number serving in the army now is 200,000. That does not take into account those who have been drafted into the army.

The numbers of the revolutionary guards depends on how many are participating through the *baseej*. Our late Imam Khomeini said we had to provide military training for everybody. Every Moslem should be ready to defend his country. Because of this we can maintain a relatively low number of experts in the army. These are men who can operate state-of-the-art, very sophisticated equipment. But when it is time to defend the revolution each and every person would take up arms. It is a religious duty which falls upon everyone.

On reducing the size of the army:
To maintain a great army in terms of numbers you must have a very prosperous economy. We are in the middle of reconstructing our country. So we have to find a way of remaining strong while limiting spending. The solution to that is the *baseej*. As a result, the number of people with full-time army careers can be cut, but we will retain personnel with high technical ability.

The future for conscription:
It has to undergo certain changes. We began the process three years ago. Those people who will be drafted this year were born in 1971. In that year, 1.3m people were born in Iran. From that number there are 600,000 young men available to be drafted. If we were to take this number of people into the army it would mean that over two years we would have to cope with 1.2m men. The capacity of our bases and garrisons is not sufficient. Neither do we have the money to feed those people. Therefore a large number are set aside for other services.

For example, we have a service called GI-teacher, there is another linked to health care and a third involved with literacy. Soldiers who have a diploma of education would be set aside for teaching. Others go to help with the reconstruction work in villages.

All have to undergo 45 days of military schooling before being sent off.

Akbar Torkan: No-one is threatening us. Our priority is to rebuild the country

Military expenditure:
I would very much like the $2bn a year talked about in the west. But I do not get that. This year we have $750m in actual dollars and rather less than the equivalent of $1bn in rials. We would like to receive more.

The build-up of arms in the region:
In the past three or four years, most conflicts in the world have come to an end. The great wars have concluded, such as in Cambodia and between Iran and Iraq. But countries which produce armaments need a market for them. Some of the countries around the Persian Gulf are very rich. So the arms producers have to think of ways to get those petrodollars. Accordingly, they produce some phantom threat to try to scare those countries. They force them to sign very big arms deals. This does not make us feel threatened.

Around us we do not see any country which would be a threat. We have the best of relations with Pakistan. Afghanistan is a poor country which for the next 20 years will have to spend whatever money it has on reconstruction. We have very good relations with Turkey and equally the Turks do not feel we are a threat to them. Iraq is a country which is trying to avoid being dismembered. The countries to the south of us are very small and weak and need us to help defend them. So no-one is threatening us. Our priority is to rebuild the country.

US forces in the Gulf:
The Americans would not attack us militarily. People living in glass houses do not throw stones. The US does not have any reason to attack us. They come to the region to get as much Arab money as they can. And even if the Americans did want to attack us they would not do so in a classic military movement. Can our air force, for example, take on the Americans, or our navy take on the American navy? If we put all of our country's budget into such a war we would have just burned our money. The way to go about dealing with such a threat requires a different solution entirely.

Iraq, the no-fly zones and US intentions:
Even if Iraq is cut into three parts it does not necessarily threaten our interests. Of course, we are very much against the disintegration of Iraq. But I do not subscribe to the view that the Americans are looking for trouble and want to attack us. Right now the Americans have many problems throughout the world and have to deal with them first.

With Mr Clinton taking power I think that America will scale back its adventurism abroad and will start work on its own country. Clinton, for instance, has announced that he is reducing the number of navy fleets from 12 to 10. And the number of US troops with the Nato forces will be reduced to 75,000.

The US budget for military purposes is $250bn. Its economy at the moment cannot sustain such a budget. The Americans have to deal with these

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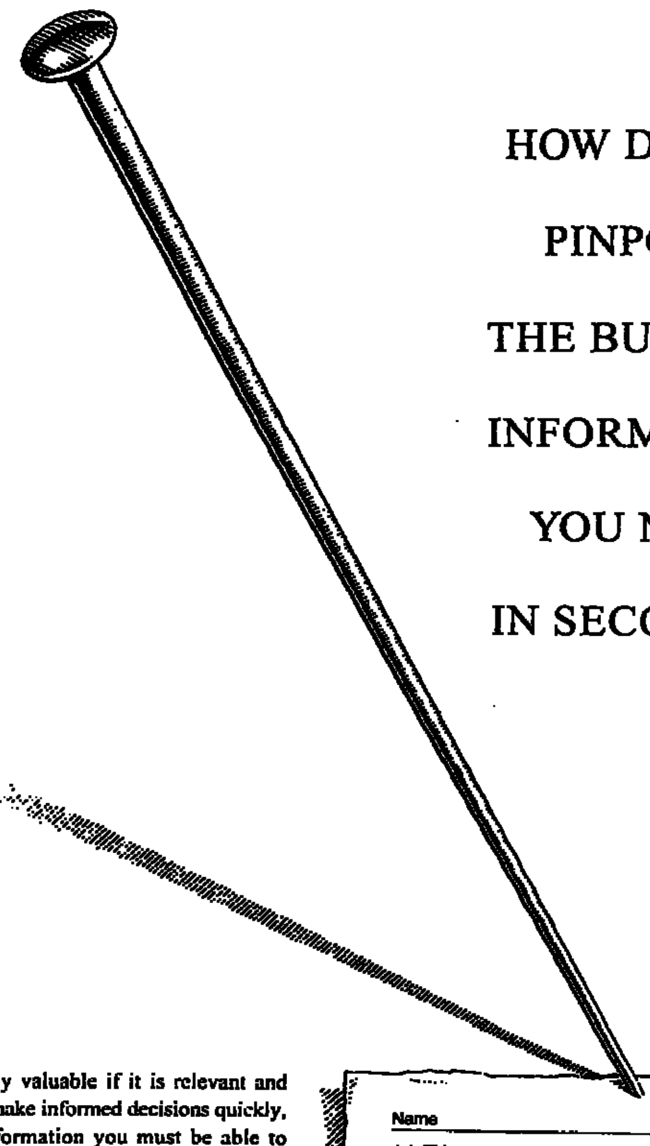

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■ BANKING

Competition encouraged

SINCE he became President, Mr Hashemi Rafsanjani's decision to promote a more open economic system and to encourage greater private sector participation in the economy has been extended to the banking system.

Iran's banks were nationalised after the 1979 revolution when restructuring took place with a number of bank mergers. Bank Mellat (the Nation's Bank), for example, was the result of a merger of 10 banks. However, it took many years before a system of Islamic banking was implemented.

The 1983 Usury-Free Banking Act allowed for two types of deposit: interest-free savings and current accounts and short- and long-term investment accounts. It took another three years before the system was in operation. The result, according to one Iranian banker is that Iran's domestic banks have become "glorified post offices."

The aim of the legislation was for customers to use the banks to make transactions rather than money. However, the Act also allowed banks to give prizes and bonuses on the interest-free accounts and to pay profits on the investment accounts. The banks pay interest out of their profits and charge a fee for loans.

The rate paid is determined by the Supreme Council of Banks, a body whose members include Mr Mohsen Nurbakhsh, the minister for economics and finance, Mr Mohammad Adeli, the governor of the central bank, and managing directors of the banks.

IRAN'S TOP FIVE BANKS ($m)	Tier One capital	Capital/assets ratio (%)	Pre-tax profits	Assets
1 Bank Saderat Iran	1,511	2.48	n/a	61,028
2 Bank of Industry and Mine	1,232	11.77	n/a	10,463
3 Bank Melli Iran	538	0.43	28	125,790
4 Bank Mellat	473	1.19	73	39,722
5 Bank Tejarat	469	1.47	19	31,844

Source: The Banker, July 1992

Iran's overseas banking operations have not been included in the Islamic system and they have continued to operate interest-paying banking. The banking system is dominated by the role of the Bank Markazi which allocates foreign exchange to the domestic banks. The liberalisation measures involve loosening Bank Markazi's control over the domestic banks and encouraging competition between them. Before the reforms, Bank Markazi set annual limits on lending based on the previous year's figure plus 10 per cent.

Last year the interest offered on deposits was raised again

The domestic banks can now attract deposits and are obliged only to lodge a proportion of these with Bank Markazi.

In order to attract more deposits, the rate offered on private sector deposits was increased in 1990 for the first time since the 1983 Usury-Free Act. The banks' fees on loans were also increased from a range of 4-12 per cent to 6-19 per cent.

Last year the interest offered on deposits was again raised, this time by one percentage point. The rates were set at 14 per cent interest on five-year deposits in the year ended March 1992, 10 per cent on one-year deposits and 6.5 per cent on three-month deposits.

Private deposits with the commercial and specialised banks rose from IR8,080bn in 1986-87 to IR18,850bn in 1990-91, the first year of the reforms.

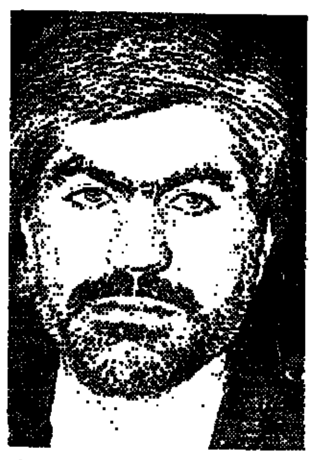
Of this amount, term investment deposits increased their proportion slightly from 60.8 per cent to 62.5 per cent.

The Supreme Council of Banks, which usually sets the same rate of return for all banks, will now allow banks to set different rates in order to promote competition. The banks face competition not only between themselves but also with the bazaar where money-lenders charge interest at rates anywhere between 30 and 50 per cent.

Bank Markazi has also called for the operation of private non-banking financial institutions, which the domestic banks are keen to establish, in order to take advantage of a relatively buoyant stock market. Banks, including Bank Melli, Iran's largest domestic bank, have set up joint stock investment companies to trade on the stock exchange. There is no suggestion at this stage, however, that the banks taken under state control after the revolution would be denationalised.

One reform has caused much controversy outside Iran. Bank Markazi's decision in 1991 to draw back from providing guarantees for credits from abroad and to hand over the job to the state commercial banks is thought to be the main reason for the prolonged delay in Iran's ability to meet its payments for maturing letters of credit.

Difficulties first arose last summer and despite expectations that this was to be a short-lived development, delays continue.



Mohammad Adeli: Blamed bad management for payment delays

According to one Iranian banker, the main reason for the delays is that previously foreign exchange requirements for letters of credit were allocated and cleared before the letter of credit was opened. This is no longer the case.

The amount of foreign exchange income which the country would be earning was also over-estimated, leading to a shortfall of resources.

However, Mr Adeli has been keen to stress that the delays are the result of bad management due to lack of expertise on the part of the commercial banks rather than a shortage of foreign exchange.

Estimates of the amount of Iran's outstanding debt vary widely. The Basel-based Bank for International Settlements found that Iran's liabilities to commercial banks abroad reached a record high of $8.3bn in the second quarter of 1992 with assets dropping to $5.8bn.

BIS figures show that Iran increased its liabilities by $4bn from September 1991 to June 1992 and the bank estimated total external indebtedness at about $15.5bn in June 1992.

That figure is thought to have increased since then and current estimates are in the order of at least $20bn.

Last autumn, western credit agencies ignored Bank Markazi's argument that because the banks are all state-owned, their guarantee is as good as one from Bank Markazi itself. They have called upon Iran's Ministry of Economy and Finance to guarantee payment for projects worth more than $50m.

Iran's banking system maintains many of its positive features

Other problems include a lack of trained managers and a weak management structure. Capital inadequacy and deficient technological resources also need to be tackled.

Mr Adeli has said that local banks need to be brought to international capital adequacy standards which he indicated should be achieved by the end of 1993. Bank Melli, for example, the country's largest bank after Bank Markazi, is ranked within the top 100 banks in the world because of the size of its assets – $125.8bn at the end of March 1991, according to *The Banker* – but is ranked by *The Banker* 383 in the world due to its capital assets ratio of 0.43 per cent.

Despite the drawbacks, Iran's banking system maintains many of its positive features. It is long-established and well-developed compared to many countries in the Middle East – a system with a wide branch network throughout the world reflecting the importance of trade to the country. Despite all the economic problems and political turmoil, the banking system has proved itself resilient and resourceful.

Scheherazade Daneshkhu

■ TRADE

Key to the future

TRADE is vital to Iran's reconstruction. The eight-year war with Iraq eroded the country's productive capacities and, since the end of the war, the government has increased imports of raw materials for factories as well as consumption goods.

Imports rose steadily from a low of $9.5bn in 1988 to more than $26bn in 1991-92.

The composition of Iran's main trading partners shifted as a result of the revolution but not as much as the rhetoric from Tehran, with its emphasis on relations with Third World countries, might suggest.

Before the revolution, 85 per cent of Iran's trade was with Organisation for Economic Co-operation and Development (OECD) countries. That proportion is now down to a still sizeable 75 per cent. Germany and Japan head the list.

Trade with other countries, such as the United Arab Emirates, has become more important to Iran. Dubai's free port and its proximity to Iran have made it a busy re-export point for goods destined for Iran. Imports from the UAE, particularly of luxuries and consumer goods, have increased substantially since the end of the Iran-Iraq war in 1988. They grew from $276m to $949m in the space of a year and now account for more than $1bn in Iranian imports.

The increase in trade has been helped by a relaxation of Iran's import and export rules and higher foreign exchange earnings as a result of increased oil prices particularly since the 1991 US-led war against Iraq.

The bulk of exports and imports are still controlled by the government, through its approval of price and supplier. Public sector imports still account for the majority of imports which are usually carried out by international tender under the control of government agencies.

Imports by the private sector are still restricted although machinery, raw materials and spare parts among others, can be imported with government-allocated foreign exchange.

At the end of last year, the government lifted the requirement for a government allocation of foreign currency for a variety of goods, including electrical and electronic equipment, construction materials, metals tools and food and textiles. Payment can be made from an overseas bank account or with currency bought at the free market rate.

In an attempt to encourage non-oil exports, the government has limited restrictions on the foreign exchange generated by the private sector through exports of handicrafts, agricultural and some manufactured goods.

The Procurement and Distribution Centres, which used to control some of the most important industries, have been dissolved in an attempt to allow market forces to take over. In addition, Iran has been keen to encourage foreign investment through the establishment of free trade zones in the Persian Gulf. The largest, on Qeshm island, near the Straits of Hormuz, is intended to attract energy-intensive industries because of the access to Qeshm's natural gas reserves.

The government says that there has been $10bn of foreign investment commitments but pledges have been greater than actual disbursements.

The policy of countertrade has been largely abandoned, partly because of stiff opposition by the National Iranian Oil Company, although the government still seeks buy-back deals.

Until last year, the difficulties of trading with Iran were outweighed by the attractions of its immaculate payments record. However, for the first time since the revolution, there have been prolonged delays on payment of Iranian letters of credit and Iran's main trading partners are watching the situation with growing unease.

Their export credit agencies have been holding a series of formal and informal meetings with each other in an attempt to judge the severity of the problem.

The government, which kept a tight rein on consumption during the war against Iraq, has been overspending

The two main factors behind the delays are thought to be the relaxation of Bank Markazi controls on the domestic commercial banks which resulted in unsupervised issues of letters of credit at the free market exchange rate. Bank Markazi has argued that the problems are only to be expected until the new system can operate smoothly.

For Iran's creditors, however, there is the greater anxiety that Tehran has overreached itself. The government, which kept a tight rein on consumption with great success during the war against Iraq, has been overspending.

Oil revenues in the first three quarters of 1992 are optimistically estimated at $16.7bn with non-oil exports making up another $1.9bn. The total foreign exchange income for the year may not exceed $20bn, while imports are expected to exceed $21bn. This represents a cutback from the $26bn imported the year before when foreign exchange income was only $20bn. Unfortunately, oil prices have been dropping due to Opec oversupply, making it unlikely that Iran will find it easy to generate enough income to cover its payments debts quickly.

President Rafsanjani, who presented the budget for 1993-94 in December, set total foreign exchange income for the year at $23.4bn but the Majlis, which has to approve the budget, has reduced this to a more realistic $19.8bn, of which $17bn is expected to be in oil exports. It is estimated Iran will take one year to catch up with its short-term debt.

Hopes are that the government will either agree to refinance its debt, a move which would be politically difficult, or will curb its imports. Iran's main trading partners have reported a slowdown in the growth of exports during 1992 compared with 1991 but only France recorded a real fall.

During the first three quarters of 1992, Germany, which is most exposed to the payment delays, reported exports of more than $4bn, compared with a total exports of $4bn for the whole of 1991.

Japanese and Italian exports slowed to a 20 per cent increase compared with the year before. Japan exported just over $2bn in January-September while Italy reported exports of $1.4bn in the first six months of last year.

UK exports also increased by 20 per cent to $840m during the first three quarters of the year. French exports, however, dropped by nearly 30 per cent during the same period to just under $600m, partly because of increased tension in relations between the two countries.

Few banks are now willing to take Iranian risk and billions of dollars' worth of project finance is now in limbo until the delays are sorted out. Iran's previously good payments record may yet reassure its trading partners and there have, as yet, been no claims on the export credit agencies. However, Iran's ability to manage its mounting debt will be watched carefully.

Scheherazade Daneshkhu

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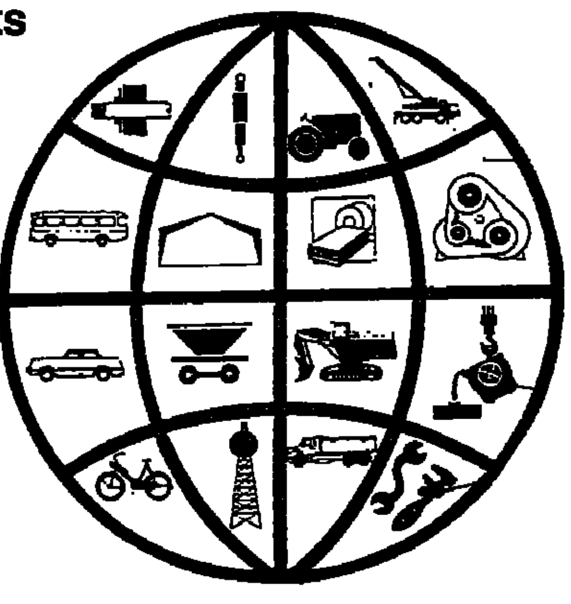

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■ AGRICULTURE

Objectives prove elusive

IRAN was self-sufficient in food in the 1950s but a number of factors, including the late Shah Mohammed Reza Pahlavi's land reform programme, meant that by the time of the revolution in 1979, Iran was a net importer of food.

The Islamic government aimed to make Iran self-sufficient by 1992 and to halt rural to urban migration but it has fallen far short of these objectives.

There have been some successes but poor planning and changes of policy towards ownership of land, have impeded the efficient use of available resources. Only in the most recent (1989/90-1993/94) five-year plan has agriculture been given priority over industry.

Iran's cultivated areas have expanded minimally since the revolution. In 1978, the area of land cultivation was 17.8m hectares and the figure only increased fractionally to 18.5m ha in 1987.

An Agriculture Ministry official, while reporting that Kerman province topped those producing non-oil exports with its exports of pistachios, dates and citrus fruits last year, bemoaned the fact that 400,000 hectares of fertile land had become desert and 55 per cent of the 120,000m cu m of water reserves was wasted due to negligence.

Iran imports between 30 and 50 per cent of its food requirements. The government expects food imports to double by the year 2006 if the birth rate continues its present rate of growth. Food imports cost the country about $3bn a year.

The government has not been able to stem the tide of migrants into the cities. Out of a total population of 58m, 43 per cent live in the countryside. Migration to the cities has accelerated consistently .Last month, the government said that if the trend continued, the countryside would lose its productive strength.

The number of people employed in agricultural activities gradually dropped from 38 per cent to 29 per cent of the rural population in the 30 years to 1986, while rural unemployment continues to grow at a faster rate than in the cities.

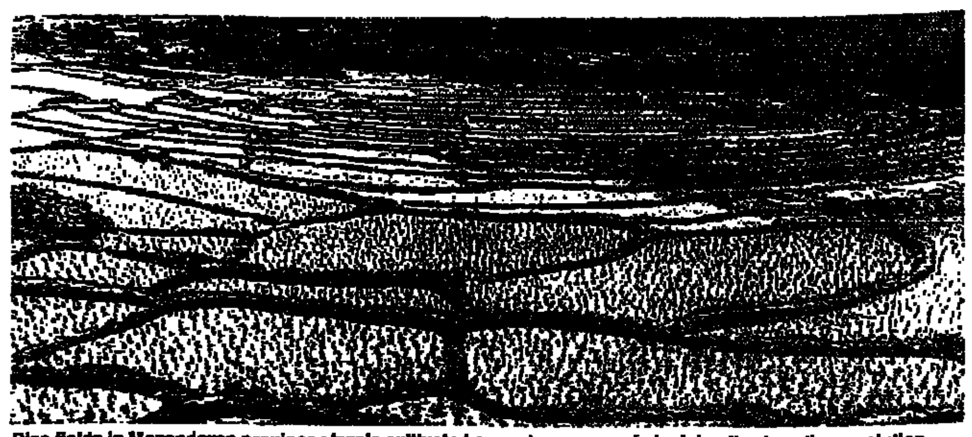
The *Jihad-e-Sazandeghi* (Construction Crusade), set up after the revolution to send young men into the countryside to build roads and spread education, said in its annual report published last year: "The migration of villagers to urban areas is to a large extent due to lack of even the basic essentials necessary for their livelihood, such as educational, medical and recreational facilities."

Last year, Mr Issa Kalantari, agriculture minister, outlined some of the challenges facing the agricultural sector. "Lack of agricultural specialists was one of the main problems as was a shortage of resources. As the national five-year development plan was being compiled we did not think of the bureaucracy of provisioning, that is, we did not meet its complexities," he said.

The plan called for farmlands to be consolidated at the rate of 150,000ha in 1989 and 1990, and 200,000ha in 1991. But because machinery was not delivered, the consolidation in the first year was nil, in the second year it was 79,000ha and in the third year 100,000 hectares, said Mr Kalantari. He said that farmers had only been provided with 14,000 of the 105,000 tractors assumed in the plan while only 12,000 of the projected 61,000 tillers had been provided.

Shortfalls in funding have also been a problem.

The government has focused on the intensification of agriculture by trying to improve yields. Some 60 per cent of the area under cultivation for important farming crops is allocated to wheat. Farmers are encouraged by government buying at fixed prices. In 1990, the government increased the support price of wheat and provided agricultural equipment at the official exchange rate of $1 to IR70 rather than the floating exchange rate of about IR1,400. It also granted banking facilities at the preferential rate. Other measures include a new law on direct taxation, brought in a year ago, under which all revenues from agriculture were made exempt from tax for an unspecified period.


Rice fields in Mazandaran province : Iran's cultivated areas have expanded minimally since the revolution

Wheat production has risen substantially to 10.4m tonnes this year, up from 8.75m tonnes in 1990-91 and 5.8m tonnes in 1989. The government hopes to be self-sufficient in wheat by March 1994.

However, lack of storage is a problem and projects are under way for the construction of more silos.

In the year to March 1993, there were rises, too, in production of barley, sugar-beet and pulses but declines in maize and cotton.

The guaranteed prices to farmers combined with food subsidies have proved an expensive burden on the state's resources. Last year, President Ali Akbar Hashemi Rafsanjani said: "We are paying a heavy price for subsidies. Our people receive bread practically free of charge. We buy wheat at IR150 a kilo, convert it into flour and pass it on to the people at IR10 a kilo."

The other notable agricultural success has been the work of the *Jihad*, particularly in the early years of the revolution, in taking electricity and water to the villages and extending the road network throughout the countryside.

In the 10 years to 1992, the *Jihad* built 46,000km of roads and 1,000m of bridges. It expects 70 per cent of rural population to be linked by road by the end of the five-year plan. The number of villages supplied with electricity has fallen back since 1985. In its annual report for 1992, the *Jihad* said: "The declining curve from 1364 [1985] onwards has been caused by the shortage in construction material resulting from foreign exchange problems."

The *Jihad's* frustration in dealing with the system are apparent in its comments on shortcomings in the agricultural sector. In its report it said: "Measures taken by the government have failed to meet the basic needs of the rural population properly, for various reasons such as lack of clear planning and strategy for development and concentration of all facilities in urban areas (especially Tehran)."

Until Iran can deal with the bottlenecks in the agricultural sector, it is unlikely that it can meet its objectives of food self-sufficiency and rural growth in the foreseeable future.

Scheherazade Daneshkhu

■ POPULATION GROWTH

Crisis looms

FIFTEEN years ago, under the rule of the late Shah Mohammed Reza Pahlavi, Iran was hard put to meet the needs of its 29m population. Now, after revolution, eight years of destructive war, a fall in the oil price and an explosion in the birth rate, it faces a far worse population crisis.

Even before the revolution, many Iranians saw having many children as a sign of God's blessing. With the accession to power of Ayatollah Khomeini, producing more Moslems became a political as well as religious duty. Every Iranian born was an arrow through the heart of the Great Satan (the US), he told his flock. The nation took up his call with an enthusiasm that resulted in today's population of 60m.

The war with Iraq, with its human-wave tactics and devastating casualties, added extra impetus to the task of giving birth to more Moslems.

Fifteen years later, the Health Ministry admits that some 37 per cent of Iranian children under seven are malnourished. Homelessness, unemployment, illiteracy and poverty have increased.

Mr Mohammed Hashemi, head of the Iranian Broadcasting Service, is often taken to task for not doing enough to spread the family planning message. He says: "You say put on programmes about birth control, but when I do our phone lines are jammed with fathers saying 'My 14 year-old daughter is listening, take this programme off.'"

According to Mr Mohammed Reza Malakzadeh, health minister, the birth rate now stands at 33 per thousand of population with 45.5 per cent of Iranians aged under 14. "The proportion of employed to unemployed people is 1:1 in Iran, compared with 2:32 in Japan," Mr Malekzadeh says.

"In the last ten years the gulf between the resources the country needs and what is available has grown alarmingly. We have not had time to catch up with the hospitals and beds needed, because of the growth of the population," he explained. To cope with the present population, Iran needed 40,000 new classrooms, 500,000 residential units, 600,000 new jobs and $5bn invested in the agricultural sector.

Mr Mohammad Ali Najafi, education minister, faces similar problems. "Uncontrolled student population growth is one of the dire consequences of the rise in population. To keep up with the population growth we need 10,000 university-educated teachers each year. At present we can only answer 60 per cent of educational needs," he said.

For Mr Massoud Roghani-Zanjani, vice-president and head of the Plan and Budget Organisation, the answer is to remove all the incentives previously introduced to encourage reproduction. Two years ago, the government actively encouraged large families, giving them extra ration coupons, help with housing, and subsidies for childrens' clothing. Most incentives have now gone, but Mr Roghani-Zanjani wants to see the last ones removed and penalties imposed.

Although the population growth rate has eased slightly – 3.3 per cent in 1988-89 to 2.7 per cent this year – more women are now reaching reproductive age and they are the ones the government is most anxious to reach with its family planning message.

Mr Malekzaden says that population control is top of his agenda. Measures introduced include free contraception and free sterilisation at 400 hospitals nationwide. His ministry claims that 200,000 people were sterilised in 1991.

But at the end of the day, it was the policies of the clerics which aggravated the problem and it is they who must solve it.

Foremost in the war on population growth is Ayatollah Makarem Shirazi, a senior theologian at the Qom seminary. He admits that the Koran encourages large families. But he argues that an important factor in Islam is the instruction to "take account of time and location".

He argues that no religious "law-maker" would argue that "it is better to have 100bn uneducated, poor and unhealthy people, than to have 60m living in good conditions."

Today's message, according to the Ayatollah, is that "the man who stood proud and said I have seven children must learn that he must apologise instead."

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■ POLITICS

Prevailing winds set the pace

POLITICS in Iran these days is very little about the conflict between government and opposition and almost everything to do with the tensions within a regime which has largely consolidated its grip on power.

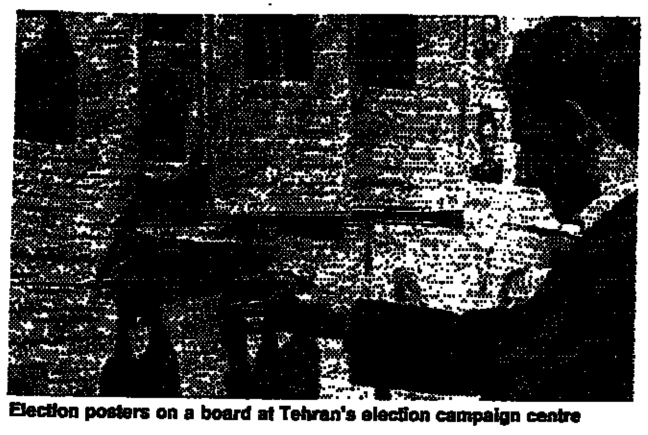
Opposition to the regime exists in a formal sense through such organisations as the Mujahideen-e-Khalq, once allied with the clergy in toppling Shah Mohammed Reza Pahlavi, but its visibility within Iran has, along with other political factions, been relentlessly whittled down over the past 10 years.

In a less structured sense, popular discontent remains far more audible than Iran's external image would suggest. Inflation, unemployment, lack of housing, rigid dress codes and the absence of entertainment facilities contribute to an absence of enthusiasm for a government which in a western democratic system would spell probably disaster at the next election.

If ministers had failed to notice the extent of this dissaffection it was brought sharply home to them when many thousands of people in Mashhad and other cities rioted during the summer. The harshness of the government response emphasised its determination to nip the protests in the bud, but subsequent modification of policies has revealed how shaken part of the regime was by the outburst of public hostility. Some senior clergy refuse to acknowledge the idea of a Moslem people at odds with an Islamic government, but this does not appear to include members of the Majlis [parliament] whose attitudes during the second part of last year underwent a significant shift.

At the time of the parliamentary elections in April and May it was assumed, with some justification, that President Ali Hashemi Rafsanjani was orchestrating a legislature more in tune with his own ideas, especially for modernising the economy.

Certainly the president succeeded in removing some of his more vocal critics. But the new Majlis has shown itself to be much more conservative than expected and far from sympathetic to the more western-oriented technocrats in the government who had been arguing for more emphatic action on economic reforms, such as privatisation and the unification of the exchange rate. On social issues, too, the past six months has been marked by some reversal of the more relaxed attitudes which had been gaining ground. Women's dress code has been more rigorously enforced, there have been a flurry of attacks on publications which deviated from the official line, and at night in the main cities there has been a significant increase in the number of roadblocks manned by the *baseej*, the militia force which is charged with the defence of the revolution. This could be interpreted as a setback for President Rafsanjani and his attempt to make the Islamic revolution more palatable to western nations. But with the president facing re-election in June it would anyway be prudent for him to bend with the prevailing wind.



Election posters on a board at Tehran's election campaign centre

The main concern for the president is said to be preventing any form of link developing between the men he ejected from parliament last summer and the popular discontent evident in Mashhad. Accordingly, it would be politically hazardous to adopt policies in the short term which could have an effect on the living standards of the poorest or, at the other end of the income scale, threaten the capacity of bazaar merchants to generate profits. No-one in Tehran doubts that Mr Rafsanjani will be re-elected by a substantial majority, but the regime can be less confident that it was of the public mood. Part of the reason for that stems from the unique role played by Ayatollah Khomeini in the overthrow of the previous regime and in the establishment of an Islamic republic. No successor could inherit that combination of political legitimacy and spiritual authority.

Ayatollah Sayed Ali Khamenei has the authority of being the country's spiritual leader, but other ayatollahs rank above him as Islamic jurists. To that extent, spiritual leader and president need each other, and can be viewed as different sides of the same coin.

They are also individually incapable of exerting decisive influence over the entire regime and government machinery. There is no concept of cabinet responsibility, such as practised in Britain. Ministers do not meet as a single, political entity. Rather there are committees, grouping several ministries, at which most decisions are taken. Mr Rafsanjani may not have initiated those decisions, but Iranians close to the process say it operates on an assumption of presidential approval unless clear opposition has been voiced.

Then there are areas of economic and political activity which are more loosely part of the regime but largely unaccountable to anyone. The most obvious examples are the *bonyads*, or religious foundations, the largest and most powerful of which is the Bonyad Mostazafin headed by Mr Mohsen Rafiqdoost.

It produces no accounts, has an annual income thought to run into hundreds of millions of dollars, is becoming involved in aviation, would like to get into the oil industry and is sometimes suspected of funding political activities overseas.

More shadowy still, but very much part of the political scene, are the organisations within organisations. In several key government ministries, Iranians say that there is a clearly detectable alternative grouping, owing an allegiance beyond the immediate obvious authority.

So although President Rafsanjani enjoys considerable authority, it is clearly limited and does not extend equally throughout the full range of the regime's activities. He can be rebuffed, needs to cajole the Majlis, and can be badly wrong-footed by a decision taken elsewhere in the administration which is subsequently difficult to reverse.

It appears that Mr Rafsanjani knows broadly the direction in which he wishes to lead the country and appreciates that the population needs more than Islamic fervour to remain supportive of the revolution. However, he is quite prepared to take at least half a step back for every one that he takes forward. The evolution of Iran under the clergy is likely to move more at the pace of the tortoise than that of the hare.

Roger Matthews

■ SALMAN RUSHDIE

Understanding the problem

ON February 14, 1989, Ayatollah Khomeini issued a "fatwa", or religious decree, that the author of the book *Satanic Verses*, Mr Salman Rushdie, had been sentenced to death. The announcement caused a storm of international protest and continues to bedevil Iran's relations with other countries, particularly Britain. Mr Javad Larijani, special adviser on foreign affairs to President Rafsanjani, explained the Iran's attitude to the issue:

"In order to solve this problem you first must really understand it. That is the key. The Rushdie case has parallels with all the religions in the world. It is an issue of blasphemy of the prophets.

"In Judaism and Christianity the verdict is much harsher than in Islam. What Imam Khomeini conveyed is simply what Islam thinks about a man who is guilty of blasphemy. So why blame Iran when that is how Islam thinks about a particular case? It is like blaming Jesus Christ for the way in which Christianity deals with blasphemy. In the 19th century there were cases in Rome and other places when they burned the man who had blasphemed the prophet.

"If we understand the heart of this matter, then no politician in London would ask an Iranian politician to disown the fatwa because it would be like disowning Islam and the Koran. This is not the sort of condition which British politicians should put on relations with Iran. It is quite unreasonable. The only condition put on relations between two countries should be mutual interest and respect.

"I think in this case perhaps the government in London is being manipulated. British politicians are wise enough to know all the tricks of politics. I do not find it easy to see what benefit there is for London by getting into such a game with Iran. I think they still do not fully understand in the west what the meaning of a fatwa is. "Politicians in London should not teach us how to understand Islam, in the same way as we should not teach them how to understand the Leviathan of Hobbes. Instead we should get down to business, into those areas of mutual and converging interests in the economic and political spheres that do exist between us. Let us capitalise on the areas where we converge, rather than where we diverge.

"The issue of Salman Rushie is sometimes inflated by circles connected to Israel. They are very unhappy with relations between the west and Iran. I do not believe in conspiracy theories, but I cannot ignore that Israel does have a good apparatus for making some issues known to public opinion. They are strong at that.

"But, anyhow, it is the perceptions which are so different. The west considers the case like this: the head of a government is pointing his finger at a man in a foreign country and saying that this man should be executed because he wrote a book. If this is the type of picture being presented then it will be not very tolerable for the west.

"From our side the picture is quite different. We consider him [Rushdie] as a man who tried to betray Islam, to downgrade Islam and to downgrade the sentiments of more than a billion Moslems. So we said only what Islam expects for that man: that he does not deserve to exist. It's like, for example, you pointing your finger at Hitler when he was alive and saying that this man should be tried and executed a hundred times. This does not mean that you are sending paratroops to execute him.

"The main barrier, if we are to have an honest debate of this issue, is cultural, and the very deep emotion which blocks real understanding. The key is to understand the case objectively. Perhaps some debates between intellectuals, writers and thinkers could be very helpful. But this does not rest only on our shoulders. This should be done from both sides. It is not right for Britain to put all the blame on Iran."

Roger Matthews

Maintaining Iran's integrity

Continued from Page 4

problems first. It is not logical for a country which is reducing its military bases around the world, and wants to reduce its military budget, to attack us. At the same time we do not want to enter a war with the Americans either.

Iran's military shopping list:

The first priority is spare parts, the second priority is spare parts, and the third priority is spare parts. Our equipment is mostly American; F-4, F-5, F-14 fighter jets. Our transport aircraft are also American; C-130s, Boeing 707s and 747s. We have a very good fleet: 14 707s, 12 747s and 53 C-130s. This should be enough to see us through the next 20 years. The only problem for us is to provide spare parts in order to keep them flying.

For example, we have 72 F-14s. This is the best air superiority that money can buy. In the next 20 years nothing will be its competitor. Therefore we should only be thinking about buying spare parts to maintain our present fleet. For closer support, we have F-5 fighters and for deep strikes F-4 fighters. This is a very good configuration. We still have 750 helicopters. I personally think that we still have the third largest fleet in the world. Unfortunately, because our fleet is mainly made up of American products, providing spares is very difficult. Of course, we also have some Soviet-made armaments, but very few.

Cheap Soviet equipment:

We have bought some tanks from the Russians, but the days of tank warfare are numbered. Iraq, in its conflict with the US, showed that tanks are not much use any more. Since the advent of attack helicopters, tanks are becoming useless. But anyway we have bought a number.

We have also bought F-7 fighters from China which compare to the MiG-21. The main reason for buying those Chinese fighters is to fulfil the number of flight hours that our pilots must have.

Missile purchases:

Scud B missiles cost \$2.5m each so it is a very large investment and the outcome of any war would not be decided by such weapons. But our technological capability is such that if we require similar missiles then we can manufacture them ourselves.

Submarines and their impact on the strategic balance:

The price tag mentioned in the western media recently of \$250m for a submarine is not correct. Before the revolution, a German company sold us six submarines. The Americans sold us two. But they did not deliver. We have bought our Russian submarines at a substantially lower price than was mentioned. All we are doing is to fill the gaps in our military plan. A complete system is made up of different components. Most of the other components had been bought before the revolution. Submarines were the one component that was missing, and we are now buying them.

The development of military industries:

Only a very few countries, such as America, Russia, China and France can produce all their requirements. The rest produce only a fraction. It might be possible for us to build tanks, submarines, missiles, aircraft and such like. But self-sufficiency is relative. We think of self-sufficiency in terms of those items which we use a lot, especially the sort of equipment we employed most during the war. And in any economic venture the finished price is very important.

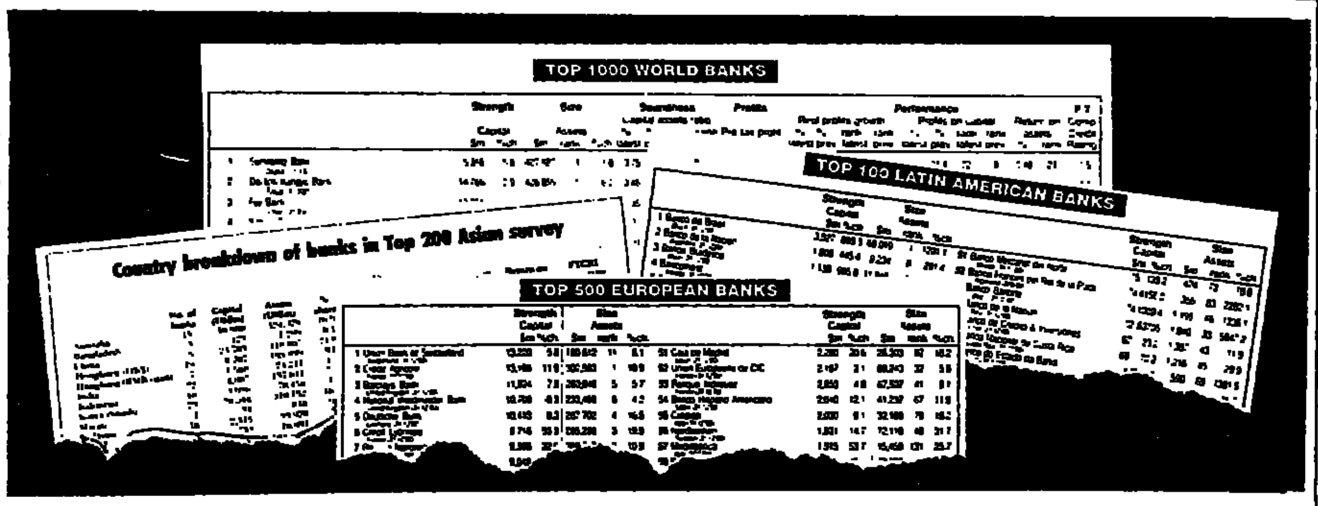
For instance, if we followed a programme of self-sufficiency and decided to produce something locally it might cost \$5,000 whereas we might be able to buy the same thing abroad for \$1,000. This would not make economic sense.

The aircraft flown to Iran during the Gulf war:

We have handed back the civilian aircraft, including the Kuwaiti aircraft. Unfortunately, the Kuwaitis did not even pay us the maintenance and parking expenses for their aircraft, but we thought that if we kept those aircraft parked in Tehran much longer it would not reflect well on us internationally. Of course, a number of Iraqi fighter jets also intruded on Iranian airspace.

The civilian aircraft asked permission first which is why we handed them back. But we still have not decided whether to hand over the fighter jets. We have to wait for the UN sanctions committee to see what they have to say. I am sure they will do something about the expenses incurred in having those Iraqi planes in Iran and will take appropriate measures.

Because the fighter jets are of a make which we do not have in our air force, our ground personnel have been unable to keep them flight ready. None of those fighters can fly any more. An aircraft is like a living being. You cannot just leave it in the desert and then push the starter button when you want to fly.



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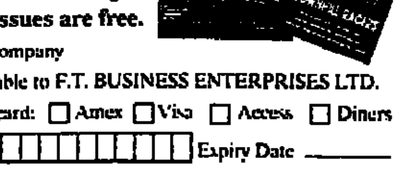

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THE BANKER 623068

E.P.C.I. SOLO EXHIBITIONS ABROAD 1993

1. I.R. of Iran Exhibition Helsinki-Finland.
2. I.R. of Iran Exhibition Kuala Lumpur Malaysia Apr 1-8
3. I.R. of Iran Solo Exhibition (Iran Week) Toronto, Canada.
4. I.R. of Iran Solo Exhibition (Iran Week) Dublin-Ireland.
5. I.R. of Iran Solo Exhibition (Iran Week) London-England.
6. I.R. of Iran Solo Exhibition Kuwait-Kuwait.
7. I.R. of Iran Solo Exhibition Riyadh-Saudi Arabia.
8. I.R. of Iran Solo Exhibtion Qatar-Qatar.
9. I.R. of Iran Solo Exhibition, Alma Ata-Khazakstan
10. I.R. of Iran Solo Exhibition Ashkhabad-Turkmenistan.
11. I.R. of Iran Solo Exhibition Yerevan-Armenia.
12. I.R. of Iran Solo Exhibition Mexico City-Mexico.
13. I.R. of Iran Solo Exhibition Buenos Aires-Argentina.
14. I.R. of Iran Solo Exhibition Rio de Janeiro-Brazil.
15. I.R. of Iran Solo Exhibition Colombo -Sri Lanka.
16. I.R. of F.I Iran Exhibition

LIST OF PARTICIPATION OF I.R. IRAN IN WORLD FAIRS IN 1993

WE ARE AVAILABLE WORLDWIDE

INT. TRADE EXHIBITIONS IN EUROPE

1. Brno Int. Exhibition;Slovak Republic 18-23 April
2. Bucharest Int. Exhibition; Romania 31-May-6 June
3. Import Fair Berlin; Germany 9-13 June
4. Budapest Int. Exhibition; Hungary 17-26 Sept
5. Vienna Int. Exhibition; Austria 10-17 Nov

INT. SPECIALIZED EXHIBITIONS IN EUROPE

1. Florence Handicraft Int. Exhibition; Italy, 24 April-4 May
2. Paris Leather Week Int. Exhibition; France 18-21 Sep
3. Anuga, World Food Market Int. Exhibition; Köln, Germany 9-14 Oct

INT. TRADE EXHIBITIONS IN ASIA

1. Beijing Int. Exhibition; China 4-8 April
2. Tokyo Int. Exhibition; Japan 29 April-3 May
3. Abu Dhabi Int. Exhibition; Abu Dhabi 21-30 April
4. Jakarta Int. Exhibition; Indonesia 12 June-10 July
5. Tai Jan Expo; Korea 7 Aug-7 Nov
6. Manila Int. Exhibition; Philipines Feb

INT. SPECIALIZED EXHIBITIONS IN ASIA

1. Kuala Lumpur Food Stuffs Int. Exhibition; Malaysia 7-10 Sept

INT. TRADE EXHIBITIONS IN AFRICA

1. Cairo Int. Exhibition; Egypt 10-23 April
2. Tunisia Int. Exhibition; Tunisia 5-14 Oct
3. Lagos Int. Exhibition; Nigeria 6-15 Nov

EXPORT PROMOTION CENTRE OF IRAN

INT. FAIRS TO BE HELD IN TEHRAN IN 1993

1st Packaging & Printing Machineries & Equipment	Feb, 14-16
2nd Pharmaceutical Industry Int. Fair	Apr, 17-23
3rd Mining Machinery & Equipment & Decorative Stones Int. Fair	Apr. 27-May 1st
6th Tehran Int. Book Fair	May 4-14
2nd Horticul Ture, Flower & Plants Int. Fair	May 12-21
1st Fisheris Int. Fair	May 22-27
3rd Medical, Hospital Equipment & Pharmaceuticals Int. Fair	June 6-21
19th TEHRAN INT. TRADE FAIR	Oct 2-12
1st Household Applicances Int. Fair	Nov 16-20
1st Machine Tools Int. Fair Nov	Nov 27-Dec 1

DOMESTIC SPECIALIZED EXHIBITION FOR IRANIAN EXPORTS AND LOCAL FAIR 1994

1. Sports Good
2. Fajr Decade
3. Textiles & Clothing (Spot Sale)
4. Ceramic, Porcelain & Glassware
5. Training Aids & Stationaries
6. Engines, Castings, Forging, Rolling & Dies Products
7. Detergents, Hygienic & Cosmetic Products
8. Iran's Tourist Attractions Fair
9. Children's Entertainment & Toys
10. Engineering Services & Equipment
11. Grand Persian Carpets
12. Food & Beverages
13. Shoes, Leather & Skin
14. Chandeliers & Decoratives Lights
15. Household Applicances

DOMESTIC SPECIALIZED FAIRS FOR IRANIAN EXPORTS IN 1993

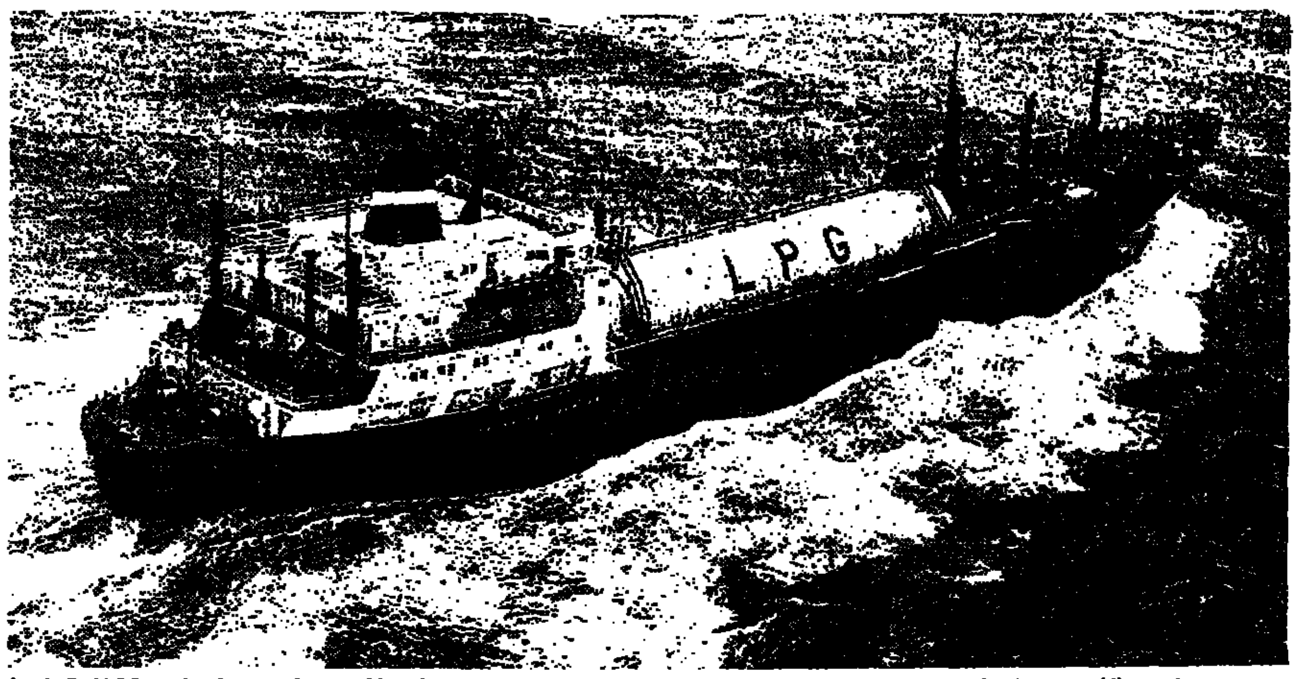
FAJR DECADE (Exhibition for 10 days victory)	Feb, 1-11
Sports Goods	Feb, 6-11
4th Textiles & Clothing (Spot Sales)	Mar, 2-12
Ceramic, Porcelain & Glassware	Apr. 13-15
Engines, Castings, Rolling & Dies Products	May 26-June 2
Non Ferrous Metal Manufactured Goods	June 8-10
Detergents, Hygienic & Cosmetic Products	June 15-17
Paintings & Miniatures	June 22-24
Construction Material	July 6-8
Children's Entertainment & Toys	July 27-30
Plastic Products	Aug 3-5
Furniture	Aug 10-12
Grand Persian Carpet Fair	Aug 23-29
Iran Tourist Attractions "Tehran"	Aug 31-Sep 9
Textiles & Clothings	Oct 24-26
Food & Beverages	Oct 26-28
Shoes, Leather & Skin	Nov 2-4
Chandeliers & Decorative Lights	Dec.16-18

INTERNATIONAL FAIRS TEHRAN IN 1994

1. The 3rd Horticulture, Flowers & Plants Int. Fair
2. The 3rd Electricity, Electronics, Computer & Communication Int. Fair.
3. The 4th Mining Machineries & Decorative Stones Int. Fair.
4. The 7th Tehran Int. Book Fair
5. The 3rd Building & Construction Machineries & Materials Int. Fair
6. The 20th Tehran Int. Trade Fair
7. The 3rd Textile and Leather Machineries Int. Fair
8. The 2nd Agricultural, Water and Sewage Machinery & Equipment Int. Fair
9. The 2nd Packaging & Printing Machineries & Equipment Int. Fair.

■ OIL AND GAS INDUSTRIES

Restoring output to pre-war levels



Iran's first LPG carrier, Iranges. Iran could envisage being able to export up to 50bn cu m of gas a year soon after the turn of the century

IRAN is on schedule to achieve its target of 4.5m barrels a day (b/d) sustainable oil production by the end of March, according to Mr Gholamreza Aghazadeh, the minister of oil. If achieved, it will represent a substantial step in the five-year effort by Iran to repair its war-damaged oil facilities, introduce new capacity and bring output closer to the 6m b/d level achieved before the revolution.

"We do not look at reaching 4.5m b/d on a sustainable basis by next March as expanding our output capacity. It is merely restoring our pre-war production levels", said Mr Aghazadeh in a message aimed at the Organisation of Petroleum Exporting Countries. "Every month sees an increase in our production capacity."

Current efforts by members of Opec to agree production cuts in order to support weakening crude prices will help to determine Iran's actual production levels which the minister put at 3.8m b/d in November, 3.5m-3.6m b/d in December and "no more than 3.5m b/d in January". Of those totals, some 350,000 b/d is on average produced from Iran's offshore wells and the remainder from onshore sources.

The return by Iran to oil production levels closer to those of 14 years ago is just one part of a programme designed also to invest heavily in natural gas, to expand refinery capacity and to improve the products distribution network within the country.

The investment made already and that required for the next stages of the programme is substantial and will have increasingly to involve foreign companies, an issue of continuing sensitivity for the Iranian parliament.

Mr Aghazadeh stressed that so far the amount of foreign investment had been relatively modest because the majority of the work had been carried out in onshore areas. "The only part which is very costly for us is the reconstruction of the offshore facilities, because that is being carried out by foreign contractors. In order to reach 4.5m b/d some $3.5bn has been spent. But the remaining portion still to be spent is in rials." He added that negotiations were continuing with foreign companies over the development of the Sirri and Balal oilfields in the Gulf and the North Pars and South Pars gas fields.

"We have quite a few foreign companies that have presented their offers to us for the development of those fields. We are now negotiating with them over terms and I hope we will be able in the near future to conclude those talks. The companies will get their return on investment through buy-back arrangements", said Mr Aghazadeh.

He added that it was only to be expected that negotiations would be protracted because of the limitations imposed by the Iranian constitution on agreements with foreign companies. "For instance, we will not accept any production sharing and we will not grant any equity to foreign companies in our oil fields", said Mr Aghazadeh. Even so, he believed that negotiations would be completed shortly.

The requirement for investment from overseas is likely to be even greater once Iran moves on to the next stage of development which will concentrate on natural gas and refineries. Sums ranging up to $30bn over the next two decades have been suggested as necessary if Iran is to carry out its plans for meeting future additional domestic energy requirements with gas rather than oil. Ideally it would like to hold domestic oil consumption to about 1.3m b/d.

"We have prepared a study for the government on the outlook for natural gas for the next 15 years. We looked at many questions, such as domestic demand, volumes needed for gas injection programmes in the oilfields, and the actual sources which would be developed," said Mr Aghazadeh. "In this context of supply and demand, we estimate that we will have a surplus of some 50bn cubic metres per year to be exported, which gives us a very bright future."

Iran is involved in talks with Ukraine and a consortium of European companies over ways of transporting the gas, either through a pipeline or in a liquified form. Officials say the plan is for Iranian gas to be supplied to Ukraine and then for the pipeline to be extended into eastern Europe. If all went smoothly, Iran could envisage being able to export up to 50bn cu m of gas a year soon after the turn of the century.

Even bigger question marks surround Iran's requirements for additional refining capacity to meet domestic demand. Given the already long queue for access to limited foreign currency earnings, Iran is probably going to have to look to the private sector for funds. Interest has been expressed already by the Bonyad Mostazafan religious foundation. However Mr Aghazadeh dismisses the idea. "As long as domestic fuel prices remain so low compared to international prices there will not be any seriously interested party from the private sector wanting to invest", he said. "The economics for this kind of operation is simply not favourable."

Making it more favourable, by raising local fuel prices, is, the minister stressed, "a very sensitive issue which depends on the economic and social problems of society". A swift resolution to Iran's present problems over short-term foreign debt will undoubtedly help its ability to attract international finance. But only the politically courageous implementation of structural economic reforms will allow Iran to take more effective domestic advantage of its single greatest asset.

Roger Matthews

■ REFUGEES

Problems for liberal hosts

Afghan refugees have not exactly been queueing up to leave Iran despite political improvements at home. Even rather obvious hints from Iranian officials that the time has come to leave have fallen on deaf ears.

Last month Esmail Mufidi, Governor of Khorasan Province, which borders Afghanistan, assured the 2.9m refugees that their return was essential to the success of the Islamic Revolution in Afghanistan. The truth is that it would not exactly damage the revolution on the Iranian side of the border, either.

Iran's problems stem from its liberal treatment of those who take refuge within its borders. There are no camps, just a handful of "guest cities" where refugees are invited, but not forced, to live. The 4m displaced people in Iran are free to live and work anywhere except in regions suffering from war damage and therefore unable to support an extra burden. However, they still represent a considerable burden to their hosts.

Afghans make up the majority of the refugees. The 1.3m Iraqi Kurds and Shia Moslems that poured across the border in the wake of the Gulf war have mostly returned, but there is still a large Kurdish community who fled Iraq during more than 20 years of repression.

The Islamic Republic has played host to numerous waves of displaced people since the 1979 revolution. About 400,000 Iraqis were exiled to Iran exile in the early days of the Iran-Iraq war and a further 100,000 followed after the attacks on the Kurdish villages.

There are 80 "guest cities", but less than 7 per cent of Afghans in Iran live in these

More than 10,000 Kuwaitis also fled to Iran after Saddam's invasion.

There are also relatively small numbers of people fleeing events in Sudan, Sri Lanka, Egypt, Palestine and India.

"Nowhere else are refugees given such freedom. We wish more countries would take the Iranian example and give an alternative to camps," enthused an American aid worker in Tehran for a conference on the refugee problem. Last month, the UN High Commissioner for Refugees (UNHCR) gave new assurances that some 2m Afghans, now in Iran and Pakistan, would return home this year.

However, Tehran is becoming increasingly depressed about the level of displaced peoples happy to shelter under the Iranian flag.

According to Mr Jean-Marie Fakhouri, UNHCR deputy for South Asia and North Africa, about 1.3m Afghans returned to their homeland in 1992. But only an estimated 300,000 were from Iran.

However, Mr Ahmad Hosseini, director-general of the Bureau for Aliens and Foreign Immigrants' Affairs, says the $15m earmarked for Iran by the UNHCR in 1992 fell drastically short of the expenditure on refugees. And he said Iran had not received the $130 each Afghan refugee had been promised by the UN to help them return.

Iran's greatest fear is that as the turmoil in the countries surrounding it increases, it will be seen as a safe haven for all the displaced people of the region.

Mr Hosseini argues that although 90 per cent of the Iraqi Kurds that took refuge in Iran in the aftermath of the Gulf war have gone home, the situation is still a cause for worry.

Saddam Hussein is still in charge in Iraq and his aggression against minority Kurds and Shia Moslems could still send a new wave of refugees into Iran.

To the north, the conflict between Azerbaijan and Armenia has produced its own displaced population. Takijistan is also in turmoil and the two peoples share a common language and culture, making Iran the natural port of refuge.

The Soviet invasion of Afghanistan sent 2.9m Afghans into Iran, but Tehran has received less than any other host nation in international funding – mainly given by the US and Japan – the bulk having gone to Pakistan.

Mr Hosseini says: "The entire world should help us, we are taking care of them [the refugees] on your behalf. If the developed world does not help today, tomorrow the refugees will not be only in Iran and Pakistan, they will gather on the borders of Europe."

According to a report by the US Committee for Refugees to a US Senate sub-committee on Refugee Affairs in 1991, "For every dollar reportedly allocated per Iraqi refugee in Iran, $7.60 has been spent for an Iraqi refugee on the Turkish-Iraq border."

There are 80 "guest cities", but less than 7 per cent of Afghans in Iran live in these. The rest live in 24 provinces throughout Iran. But 55 per cent have chosen to settle in Khorasan, Kerman, Sistan and Baluchestan. In Khorasan they make up 23 per cent of the population. In some areas, especially on the borders, the ratio of Iranians to refugees is one to one. More than 33,000 have taken Iranian wives and become part of local families. Most of these people have no one left in Afghanistan to return to.

There is no limit to the amount of money that they can send home

Iran allows refugees to work in 16 occupations, but construction is the most popular. There is no limit to the amount of money that they can send home. With Afghanistan's future still uncertain, and the construction industry still healthy in Iran, there are few incentives to return east. Some 61 per cent of the Afghans were farmers, but in Iran a mere 8 per cent still work on the land. They have created many problems for the host nation. Some 80 per cent of the refugees are aged less than 40 and the competition for jobs is beginning to cause tension.

Since the fall of Kabul to the Mujahideen, some 176,000 Afghans have returned home. According to Iranian officials, those who went home from Iran have found that their countrymen who took shelter in Pakistan received $130 to return, as well as blankets and food. Iran has not had the funding from the UNHCR to allow her to do this. As the news filters back, it becomes more attractive for the refugees to stay put.

The conclusions of the USCR report on the Iraqi crisis holds just as true for others taking refuge in Iran: "Iraqi refugees in Iran should not be punished because they have fled to a nation isolated from the western world. The aid is for the refugees, not for Iran."

Parichehre Mosteshar

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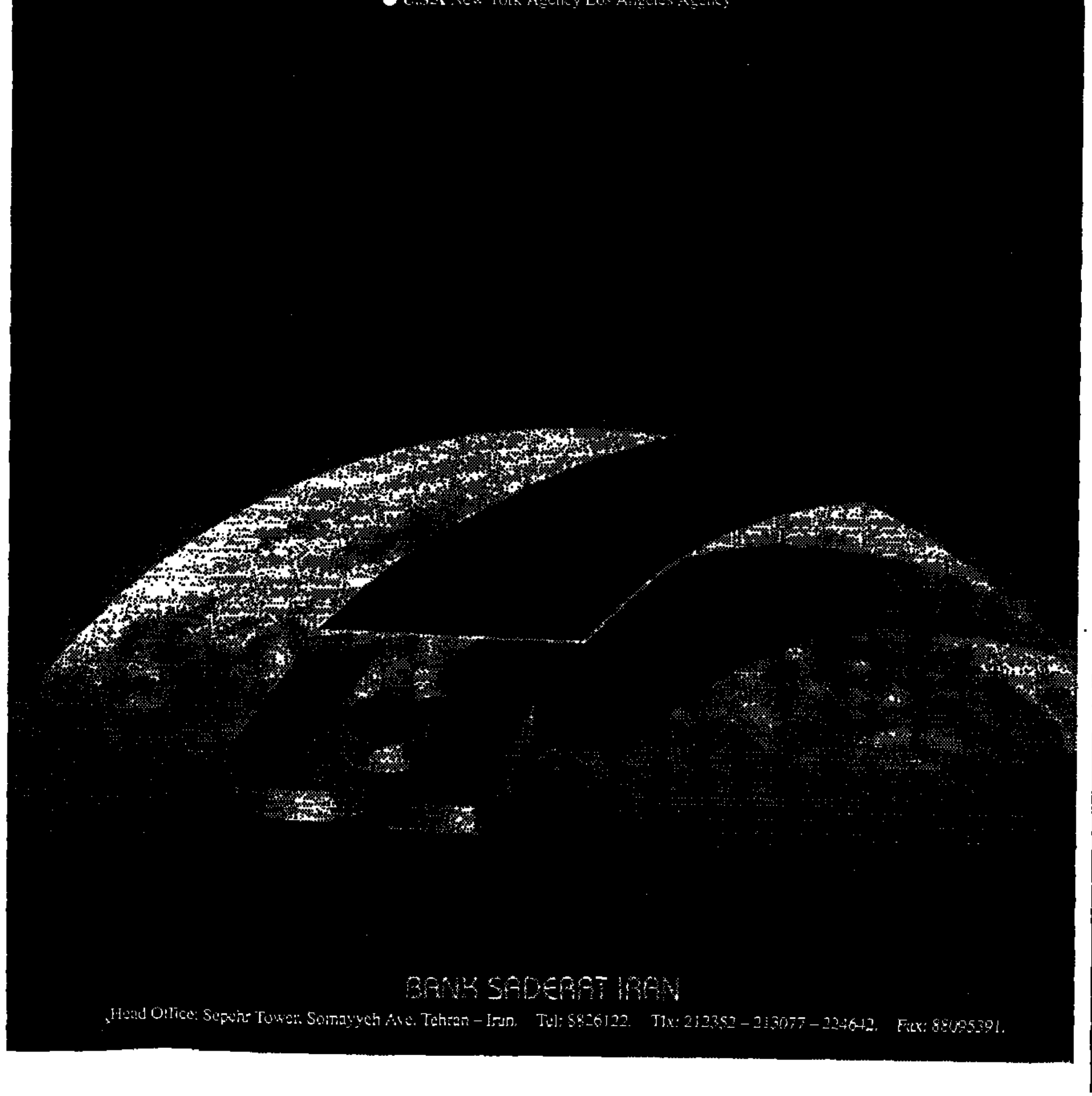
● U.S.A New York Agency Los Angeles Agency



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■ BUSINESS GUIDE

More smiles than scowls

MANY first-time visitors to Iran are surprised. They arrive conditioned by the particular type of publicity Iran has received over the past 15 years and instead discover rather more smiles than scowls.

It has not always been like that and first impressions have been much improved by the streamlined procedures at Tehran's Mehrabad airport.

Instead of the long waits, aggressive baggage searches and minute examination of currency declarations, it should now be possible to get through the airport at an internationally acceptable pace. There are now no currency restrictions, arriving or leaving, and quite often no baggage check.

On no account attempt to take alcohol into the country or publications with immodest photographs of women. Video tapes may be confiscated.

HOTELS

The two most popular in Tehran are the Laleh (formerly the Intercontinental) and the Esteghlal (formerly the Hilton). Both have seen better days, but the Esteghlal has benefitted from restoration work. The Laleh is downtown and can be more convenient for government ministries and embassies.

The Esteghlal enjoys the cleaner, cooler air of north Tehran and has superb views over the mountains. But the drive into town can test the nerves of the most hardened taxi passenger. At night it is not uncommon to find cars without lights driving at more than 70 mph on the expressway.

Tehran hotels tend, fairly, not to boast about their cuisine, but it is modestly priced. Caviar, when available, is particularly good value.

International phone calls suffer only slight delays and fax facilities are available.

Hotels usually ask for the room rate to be paid in dollars but accept rials for all other spending.

Other hotels: Azadi Grand (formerly the Hyatt) and the Homa (formerly Sheraton)

CURRENCY

Credit and charge cards are not accepted in Iran. Take cash. The dollar, sterling and the D-Mark are the most easily traded.

It is faster – and often slightly more profitable – to go to a money changer rather than a bank. Be prepared to be given large quantities of low-denomination notes.


Employ experienced drivers

TRANSPORT

Local representatives often provide a car and driver for visitors. Otherwise, the car services operating from the main hotels have English-speaking drivers, reasonably modern vehicles and charge by the hour or by the day.

There is a good private hire company directly opposite the Laleh. In view of the traffic problems of Tehran, it is vital to employ experienced drivers who have a good knowledge of the city. A willingness to reverse at speed the wrong way down one-way streets is a time-saving asset.

Iran Air runs frequent services between the biggest cities. Seats can be difficult to acquire without booking well in advance.

VISAS

For a first-time visitor, the simplest method is to join a trade mission or attend the annual international trade fair. Once contacts have been made with local companies, it is then possible to be invited, the normal procedure for getting a visa. It has be approved by the Foreign Ministry in Tehran.

Allow several weeks and be sure to find out the approval number in order to assist the local consulate which will actually be issuing the visa. It is often possible to get visa extensions once in Iran.

EMBASSIES

Most western countries have embassies in Tehran. British representation has been strengthened but there is still no ambassador because of the Salman Rushdie affair. Commercial sections can offer guidance on changes in local regulations and on key personnel in government departments.

LOCAL REPRESENTATIVES

Finding the right local representative can be the key to success in Iran. Accurate, up-to-date information and guidance through the local bureaucracy is at a premium.

Embassies can help in providing contacts, as can the local chamber of commerce and in London, the Department of Trade and Industry.

DRESS

Many visiting businessmen choose to wear suits and ties, although it is not necessary, especially when dealing with the government. Arms should be covered in public.

Women must be fully covered, with a scarf over the hair. Cosmetics can be used discreetly.

Iranian women constantly seek to push back the frontiers of the dress code. Limits of official toleration are subject to sudden change.

SOCIAL ATTITUDES

Men must never offer to shake hands with a woman in public. In people's homes, especially in affluent north Tehran, pre-revolutionary attitudes prevail.

Alcohol is more prevalent than might be expected, but it is unwise for the visitor to appear to be under its influence. Criticism of the regime is often heard but best not repeated. Iranians remain strongly nationalistic. Help with visas is often sought.

SHOPPING

The ban on carpet exports has been lifted and individuals can now take out of the country one carpet and one kilim. Best to seek local advice and bargain hard.

Caviar is best bought at the airport on departure. Beluga and sevruga are usually available at about one-seventh of the London retail price. Payment has to be made in rials but there is a bank near the caviar shop. Saffron is also an excellent buy.

GUIDES TO IRAN

One of the best, quick guides is *Doing Business with Iran* written by Pauline Jackson and published by the Committee for Middle East Trade, 33, Bury Street, London SW1Y 6AX. This also contains sections on contracts, tendering, bidding, contract negotiations, taxes and social security.

Business International has also published three other manuals on Iran by Pauline Jackson: *Iran: a Practical Handbook*, *Iran after Khomeini* and in 1991 *Iran – A Manual for Foreign Business*.

Roger Matthews


Women must be fully covered, with a scarf over the hair. Cosmetics can be used discreetly